TECNICAS REUNIDAS

ANNUAL ACCOUNTS

Auditors' Report, Financial Statements at 31 December 2021 and Management Report for financial year 2021.

TÉCNICAS REUNIDAS, S.A.

Independent auditors´ report on the annual accounts
for the year ended December 31, 2021

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

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 2021, 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 2021, 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.

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Deloitte, S.L. inscrita en el Registro Mercantil de Madrid, tomo 13.650. sección 8ª, folio 188, hoja M-54414, inscripción 96ª, C.I.F.: B-79104469.
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Key audit matters	How the matters were addressed in the audit
Liquidity and solvency risk due to the impact of COVID-19 As outlined by the directors in Note 2 to the accompanying annual accounts for 2021, the COVID-19 crisis continued to impact the Company's results and generation of cash flows from operations in 2021. In 2021 the Company incurred losses amounting to €344 million while the Company's net debt was increased during the year by €168 million as a result of the client's termination of the Teesside project and the delays in settlement by certain clients as well as the rescheduling of some projects, pushing the net debt up to €394 million at year end. Within this context, the Company's directors have carried out an assessment of the Company's ability to continue conducting its business and meeting its operational and financial obligations (including the financial ratios required under financing contracts), based on expectations of compliance with the feasibility plan approved by Sociedad Estatal de Participaciones Industriales (SEPI) and the treasury plan approved by the Company's Board of Directors for 2022, and have come to a favourable conclusion. In this respect, the Company's directors consider that the Company's liquidity and solvency position will improve substantially in 2022 as a result of the gradual recovery of business, the development of the new portfolio of projects won and the conversion into cash of the work completed pending invoicing, along with the formalisation and payment of €340 million by the " Solvency Support Fund for Strategic Companies" in February 2022 (Notes 2 and 28 to the annual accounts). We identified this as a key audit matter since the conclusions drawn by the Company's directors are based on the development of the Company's business and entail building expectations which require a high level of judgement and estimation, this area being significant in analysing the application of the going-concern principle.	Our audit procedures were performed by enhancing professional scepticism in the performance of our tests, including the design of the audit procedures aimed at reinforcing the assessment of the evidence obtained in the performance of our work and the analysis of different scenarios in the process for evaluating the assumptions used by the Company. In this respect, we obtained the feasibility plan prepared by management and approved by SEPI, as well as the latest results and liquidity projections drawn up by Company management and adapted to the current situation of the markets in which it operates. We assessed the reasonableness of that information based on our understanding of its activities, explanations, evidence and data approved by Company management concerning the evolution of the projects in progress, the situation of new portfolio business and other matters envisaged in the plan. Similarly, we carried out our own independent sensitivity analysis in order 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. Lastly, we evaluated that the disclosures included in Note 2 and 28 to the accompanying annual accounts for 2021 in relation to this matter ensure an appropriate level of transparency regarding the consequences of the pandemic, and are compliant with the requirements of the applicable legislative framework, revealing the existing uncertainties caused by the pandemic and the mitigating actions being implemented by the Company. The results of the procedures performed have enabled the audit objectives for which such procedures were designed to be reasonably attained.

Key Audit Matters	How our audit addressed the key audit matter
Recognition of revenue from construction contracts The revenue recognition criteria applied by the Company are based on the percentage completion method in accordance with applicable requirements for Constructions contracts. When applying the percentage of completion method the Company applies significant estimates using relevant judgments regarding the total costs that are necessary to execute the contract, and regarding the amount of any claims or scope changes of the project that may be included as more revenue from the contract. The Company has implemented processes and controls to adequately recognize and oversee long-term contracts from the bidding phase, during execution and until the project is closed. These processes include, among other things: organization of the project, documentation, risk management, financial reviews and reporting, as well as controls over the adequate application of accounting principles. The information regarding construction contracts is set out in Notes 3.14, 9, and 21 a) to the annual accounts. Given the relevance of the estimates used when recognizing revenue and their quantitative importance, and considering the situation caused by COVID-19 pandemic, this has been considered to be a key audit matter within our audit.	During our audit work we have taken into consideration our understanding of the controls over the process of estimating the margin obtained on long-term contracts. Our procedures include, among other things, the performance of tests of the design, implementation and operating effectiveness of certain relevant controls that mitigate the risks associated with the process of recognizing revenue from these types of construction contracts. To perform substantive tests we first selected a sample by applying quantitative and qualitative criteria, such as the identification of those relevant contracts either due to the total selling price of the contract or the amount of the revenue or margins recognized during the year, or the risk associated with the costs yet to be incurred to complete the contract. Additionally, we performed a selection for all of the remaining projects. We obtained the contracts relating to the selected projects so that we could read them and understand the most relevant clauses and their implications, as well as the budgets and execution oversight reports for those projects, and we performed the following procedures focusing on their main aspects: • We analysed the evolution of margins compared to variations in both the selling price and total budgeted costs , considering the impact of COVID-19 pandemic on the projects development. • We evaluated the coherence of the estimates made by the Company last year by comparing them with the actual data deriving from contracts the current this year. • We recalculated the percentage of completion of each stage of the selected projects and compared it with the results obtained from the Company's calculations. We obtained explanations regarding the reconciliation between the financial information and the follow-up reports for the projects provided by project management.

Key Audit Matters	How our audit addressed the key audit matter
	Finally, we have verified that the information disclosures included in Notes 3.14, 9 and 21 a) to the accompanying annual accounts regarding the recognition of revenue from contracts based on the percentage of completion method are adequate in terms of those required by applicable accounting legislation. The results of the procedures performed allowed us to reasonably obtain the audit objectives for which these procedures were designed.
Tax inspection action Over the past few years the Company underwent an inspection of the Spanish Tax Group regarding corporate income tax for the years 2008 through 2011. After the tax inspection action was completed in 2015, the Company received a proposed settlement totalling €138.2 million, plus interest due to discrepancies in transfer pricing. The Company contested the assessment and appealed the decision through administrative processes and provided the necessary financial guarantees. During 2018, the Spanish Central Economic-Administrative Court (TEAC) partially resolved in favor of the Company reducing the amount of the settlement by €20.9 million plus interest and establishing the current amount of the claim at €117.3 million (plus interests). The Company maintains the necessary guarantees corresponding to these assessments. The Company has implemented processes and controls to assess the risks and probability that a potential liability must be recognized in the annual accounts. It considers that there are legal arguments that support its position and that no provision has been recognised in this regard. The information relating to the tax inspection action taken by the tax authorities is set out in Note 20 to the annual accounts.	During the course of the audit we gained an understanding of the processes and evaluated the estimates used by management. To do so we obtained confirmation letters from attorneys to compare the assessment of the expected outcome, all related information and we identified potential liabilities and compared them against the Company's estimates. To analyse the reasonableness of the Company's estimate, we have involved internal tax specialists and, as part of our substantive work, we held interviews with the Company's attorneys regarding the actions taken by the tax authorities to date. Additionally, we have analysed the probability of success that the Company's challenge of the conclusions reached by the tax authorities will have, which corroborate the estimate made by the Company and the information regarding this matter set out in the annual accounts is adequate in the terms of applicable accounting legislation. The results of the procedures performed allowed us to reasonably obtain the audit objectives for which these procedures were designed.

Key Audit Matters	How our audit addressed the key audit matter
Given the relevance of the estimates used regarding the probability that the risk will materialize and the amount claimed by the tax authorities in the assessments raised, we have considered this to be a key audit matter.	
Deferred tax assets The balance sheet at 31 December 2021 includes a balance of €215,054 thousand in deferred tax assets that mainly relate to temporary differences due to losses incurred in foreign businesses that will be recoverable within the context of the Spanish tax group led by the Company when the companies engaging in those businesses are liquidated. At the end of the year Company management prepares revenue and profitability projections per project to assess the capacity of recovering deferred tax assets taking into consideration legislative changes and updates in the profitability of the various projects. This projections have been prepared including the based on the available information at the date of the preparation of these annual accounts. The information relating to the deferred tax assets is disclosed in Note 20 to the annual accounts. We identified this matter as a key audit matter since the preparation of these projections requires a high level of judgment, basically with respect to the evolution of the project projections that affect the estimate made regarding the recovery of the deferred tax assets.	We have obtained an understanding and analysed the estimation process applied by directors and by management, focusing our procedures on matters such as: • The process of preparing the business plan, which is substantially supported on projects in progress, projects in the portfolio and estimates regarding new project intake based on past information, prepared with the objective of evaluating the recognition, measurement and the capacity to recover the deferred tax assets. • The criteria used when calculating the deferred tax assets. • The base information used by management in its analysis regarding the recovery of deferred tax assets, verifying its congruence with the estimates regarding projects used in other areas of the audit such as revenue recognition or the assessment of the application of the going-concern principle. Additionally, we have involved our internal tax specialists when considering the reasonableness of the tax assumptions used based on applicable legislation, to ensure that they are complete and adequate. Finally, we have verified that Note 20 to the accompanying annual accounts contains the appropriate disclosures in this respect. The results of the procedures performed allowed us to reasonably obtain the audit objectives for which these procedures were designed.

Other information: directors' report

Other information comprises only the management report for the 2021 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 2021 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 2021 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 2021 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 2022.

Contract term

The General Shareholders Meeting held on 29 June 2021 appointed PricewaterhouseCoopers Auditores, S.L. and Deloitte, S.L. as the Company's co-auditors for one year, for the year ended 31 December 2021.

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.

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

Original in Spanish signed by
Fernando Pindado Rubio
Registered with R.O.A.C. No. 23,102

28 February 2022

Deloitte, S.L.

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

Original in Spanish signed by
Antonio Sanchez-Covisa Martín-González
Registered with R.O.A.C. No. 21,251

28 February 2022

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

TÉCNICAS REUNIDAS, S.A.

Annual financial statements at 31 December 2021

and Management Report for 2021

TÉCNICAS REUNIDAS, S.A.

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TÉCNICAS REUNIDAS, S.A.

BALANCE SHEET AT 31 DECEMBER 2021

(Expressed in thousands of euros)

BALANCE SHEET AT 31 DECEMBER 2021

		At 31 December	
ASSETS	**Notes**	**2021**	**2020**
NON-CURRENT ASSETS		**559,485**	**743,516**
Intangible assets	**5**	**48,570**	**50,634**
Property, plant and equipment	**6**	**8,469**	**14,346**
Non-current investments in group companies and associates	**8**	**205,288**	**377,757**
Non-current financial investments	**7**	**82,104**	**92,249**
Shares and non-current equity interests.		197	197
Loans to third parties		398	392
Derivatives	7-10	7,202	2,299
Other financial assets		74,307	89,361
Deferred tax assets	**20**	**215,054**	**208,530**
CURRENT ASSETS		**2,900,890**	**2,998,894**
Inventories	**11**	**16,936**	**17,750**
Advances to suppliers	**12**	**26,167**	**205,773**
Trade and other receivables	**7-9**	**1,723,989**	**1,533,822**
Current investments in group companies and associates	**9**	**784,672**	**754,110**
Current financial investments		**11,403**	**33,433**
Derivatives	7-10	6,117	26,156
Other financial assets		5,286	7,277
Cash and other liquid equivalents	**13**	**337,723**	**454,006**
Total assets		**3,460,375**	**3,742,410**

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 2021

(Expressed in thousands of euros)

		At 31 December	
EQUITY AND LIABILITIES	**Notes**	**2021**	**2020**
EQUITY		**190,876**	**505,604**
Shareholders' equity		**195,305**	**539,940**
Share	14	5,590	5,590
Registered share capital		5,590	5,590
Share premium	14	8,691	8,691
Reserves	15	598,376	521,024
Legal and bylaw reserves		1,137	1,137
Capitalisation reserve		3,056	3,056
Other reserves		594,183	516,831
(Treasury shares)	15	(73,269)	(73,109)
Profit/loss for the year	16	(344,083)	77,744
Valuation Adjustments		**(4,429)**	**(34,336)**
Hedging transactions	10	1,410	5,534
Translation differences	17	(5,839)	(39,870)
NON-CURRENT LIABILITIES		**714,234**	**485,232**
Non-current provisions		**220,652**	**105,487**
Other provisions	19	220,652	105,487
Non-current payables	**18**	**475,141**	**371,459**
Bank borrowings		467,261	363,931
Derivatives	10	2	-
Other financial liabilities		7,878	7,528
Liabilities from differed taxes	**18**	**18,441**	**8,286**
CURRENT LIABILITIES		**2,555,265**	**2,751,574**
Short-term provisions	**19**	**23,027**	**23,057**
Current payables	**18**	**281,846**	**321,567**
Bank borrowings		264,527	316,092
Derivatives		16,310	4,712
Other financial liabilities		1,009	763
Current payables to group companies and associates	**18**	**435,876**	**304,750**
Trade and other payables	**18**	**1,814,516**	**2,102,200**
TOTAL EQUITY AND LIABILITIES		**3,460,375**	**3,742,410**

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 2021

(Expressed in thousands of euros)

		Year ended 31 December	
	Notes	**2021**	**2020**
Net income	**21**	**1,611,388**	**1,907,260**
Sales and services rendered		1,611,388	1,907,260
Changes in inventories of finished goods and work in progress		**(516)**	**(31)**
Procurements		**(1,309,879)**	**(1,463,989)**
Consumption of goods		(1,309,879)	(1,463,989)
Other operating income		**4,771**	**5,554**
Non-core and other current operating income		3,900	4,558
Income-related grants transferred to profit or loss		871	996
Staff costs	**21.c**	**(266,187)**	**(290,447)**
Wages, salaries and similar expenses		(219,309)	(239,503)
Employee benefit costs		(45,538)	(49,557)
Provisions		(1,340)	(1,387)
Other operating expenses	**21.d**	**(237,597)**	**(209,180)**
Outside services		(205,709)	(201,806)
Taxes other than income tax		(5,616)	(3,836)
Losses on, impairment of and change in allowances for trade receivables		(24,625)	(2,977)
Other current operating expenses		(1,647)	(561)
Depreciation and amortisation charge	**5 y 6**	**(4,858)**	**(6,619)**
Impairment and gains or losses on disposal of non-current assets		**(3,510)**	**1,377**
PROFIT/(LOSS) FROM OPERATIONS		**(206,388)**	**(56,075)**
Finance income		160,026	124,915
Finance costs		(21,174)	(13,273)
Changes in fair value of financial instruments		-	(1,444)
Exchange differences		(22,927)	20,677
Impairment and gains or losses on disposals of financial instruments		(288,085)	(37,140)
FINANCIAL PROFIT/(LOSS)	22	**(172,160)**	**93,735**
PROFIT/(LOSS) BEFORE TAX		**(378,548)**	**37,660**
Income tax	20	34,465	40,084
PROFIT/(LOSS) FOR THE YEAR		**(344,083)**	**77,744**

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 2021

(Expressed in thousands of euros)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 December 2021

		Year ended 31 December	
	Notes	**2021**	**2020**
Profit/(Loss) for the year per income statement		**(344,083)**	**77,744**
Income and expense recognised directly in equity			
Arising from cash flow hedges	10	(16,105)	43,067
From actuarial gains and losses and other adjustments	17	34,032	(40,672)
Tax effect	20	4,026	(10,867)
Total income and expense recognised directly in equity		**21,953**	**(8,472)**
Transfers to profit or loss			
Arising from cash flow hedges	10	10,605	(17,407)
Tax effect	20	(2,651)	4,352
Total transfers to profit or loss		**7,954**	**(13,055)**
TOTAL RECOGNISED INCOME AND EXPENSES		**(314,176)**	**56,217**

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 2021

B) STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in thousands of euros)

	Capital (Note 14)	Share premium (Note 14)	Reserves (Note 15)	Treasury shares (Note 16)	Prior years' profit/(loss)	Profit/(loss) for the year (Note 16)	Share dividend (Note 16)	Adjustments for changes in value (Notes 17 and 10)	TOTAL
ADJUSTED BALANCE AT BEGINNING OF 2020	5,590	8,691	531,642	(73,830)	-	(9,527)	-	(12,809)	449,757
Total recognised income and expense	-	-	-	-	-	77,744	-	(21,527)	56,217
Transactions with shareholders or owners									
- Other transactions with shareholders or owners	-	-	(1,091)	721	-	-	-	-	(370)
Other changes in equity									
- Distribution of profit	-	-	(9,527)	-	-	9,527	-	-	-
BALANCE AT END OF 2020	**5,590**	**8,691**	**521,024**	**(73,109)**	**-**	**77,744**	**-**	**(34,336)**	**505,604**
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**

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 2021

(Expressed in thousands of euros)

	Notes	Year ended 31 December 2021	2020
Cash flows from operating activities			
1. Loss for the year before tax		**(378,548)**	**37,660**
2. Adjustments for:			
- Depreciation and amortisation charge	5 and 6	4,858	6,619
- Changes in provisions, impairment on commercial transactions	19	24,625	2,977
- Impairment losses	8	303,193	37,140
- Gains on sales of group companies and associates	8	(15,109)	-
- Gains/Losses on derecognition and disposal of non-current assets		3,510	(1,377)
- Finance income	22	(160,026)	(124,915)
- Finance costs	22	21,173	12,120
- Changes in gains/(losses) on derivatives		10,604	(17,407)
- Changes in fair value of financial instruments		-	1,444
- Other income and expenses		352	827
3. Changes in working capital:			
- Inventories and advances	11 and 12	25,844	(32,668)
- Trade and other receivables		(22,766)	44,064
Other accounts receivable		(2,931)	23,785
- Trade payables		(61,644)	116,431
- Other financial assets		9,747	39,498
- Settlements of hedging derivatives		10,630	(18,624)
4. Other cash flows from operating activities			
- Interest paid		(21,174)	(12,120)
- Dividends received		42,066	108,400
- Interest received		17,959	16,515
- Income tax recovered/paid		(28,047)	(34,649)
Cash flows from operating activities		**(215,684)**	**205,720**
Cash flows from investing activities			
6. Payments due to investments			
- Acquisition of property, plant and equipment	6	(1,241)	(1,275)
- Acquisition of intangible assets	5	(557)	(150)
- Investments in group companies and associates		-	(5,041)
7. Proceeds from disposals			
- Property, plant and equipment		943	6,682
- Intangible assets		538	-
- Revenue from sales in associates		15,109	-
8. Cash flows from investing activities		**14,792**	**216**
Cash flows from financing activities			
9. Proceeds and payments relating to equity instruments			
- Acquisition and disposal of treasury shares, net		(552)	(370)
10. Receipts and payments from financial liability instruments			
a) Issuance			
- Bank borrowings		713,908	703,020
- Borrowings from group companies and associates		391,635	342,047
b) Return			
- Bank borrowings		(662,143)	(545,128)
- Borrowings from group companies and associates		(358,239)	(618,021)
13. Cash flows from financing activities		**84,609**	**(118,452)**
Net change in cash and cash equivalents		**(116,283)**	**87,484**
Cash and cash equivalents at beginning of year		**454,006**	**366,522**
Cash and cash equivalents at end of year		**337,723**	**454,006**

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

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 and amendment of its Articles of Association is registered in volume 22,573, section 8, book 0, page 197, sheet M-72319, entry 157.

On 21 May 2021, the registered office of Técnicas Reunidas, S.A. was transferred from Arapiles 14, 28015, Madrid, along with its main offices, from Arapiles 13, 28015, Madrid, to Avenida de Burgos, 89, Madrid, Spain.

The 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.

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

Since 21 June 2006, all shares of Técnicas Reunidas, S.A. have been admitted to trading, and are listed on the continuous market of the Spanish Stock Exchange.

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 2022, the Board of Directors prepared the consolidated financial statements of Técnicas Reunidas, S.A. and its subsidiaries at 31 December 2021, 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 104,658 thousand (2020: EUR 283,593 thousand), including losses for 2021 of EUR 192,133 thousand (2020: EUR 12,982 thousand in profit), of which EUR 190,443 thousand is attributable to the shareholders of the Company (2020: EUR 11,049 thousand).

2. Basis of presentation

<u>Regulatory financial reporting framework applicable to the Company</u>

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 Spanish National Chart of Accounts and its supplementary rules.
d. All other applicable Spanish accounting legislation.

Changes in accounting policies as a result of Royal Decree 1/2021

On 30 January 2021, Royal Decree 1/2021, of 12 January, was published in the *Official Gazette of the Spanish State*, which amended the National Chart of Accounts approved by Royal Decree 1514/2007, of 16 November, the National Chart of Accounts for Small and Medium-sized Companies approved by Royal Decree 1515/2007, of 16 November, the Standards for the Preparation of Consolidated Financial Statements approved by Royal Decree 1159/2010, of 17 September, and the rules for adapting the National Chart of Accounts for non-profit entities approved by Royal Decree 1491/2011, of 24 October. Likewise, as a consequence of Royal Decree 1/2021, on 13 February 2021, the resolution of the Spanish Accounting and Audit Institute (ICAC), which lays down rules for the recording, valuation and preparation of annual accounts for the recognition of income from the delivery of goods and services (the 'Revenue Resolution') was published in the *Official Gazette of the Spanish State*.

Pursuant to subsection (1) of the First Transitional Provision of Royal Decree 1/2021, the Company has opted for the application of the new criteria considering 1 January 2021 as the transition date, and the figures corresponding to financial year 2020 included for comparative purposes in the annual accounts for financial year 2021 have not been adapted in accordance with the new criteria, without prejudice to the reclassification of the previous year's items of financial instruments to the new presentation in application of Transitional Provision 6(6)(e).

The contents of the Royal Decree and that Resolution were applied in the corresponding financial statements for the year beginning on or after 1 January 2021.

The changes mainly affect the following items:

a) Financial instruments.
b) Revenue from sales and services.

The main differences between the accounting and classification criteria used in 2020 and those applied in 2021 that affected the Company are as follows:

a) Financial instruments

Financial instruments have been classified based on our management or business model for managing financial assets and the contractual terms of the cash flows from them.

The classification of the financial assets is divided into the following main categories:

- **Fair value through profit or loss:** All financial assets have been included in this category except those that should be classified in another category. It covers the previous portfolios of 'Financial assets held for trading' and 'Other financial assets at fair value through profit or loss'.

- **Amortised cost**: The former portfolios of 'Loans and receivables' and 'Held-to-maturity investments' are included in this category to the extent that they are held for the purpose of receiving the cash flows arising from the performance of the contract, and the contractual terms of the financial asset give rise, at specific dates, to cash flows that are solely collections of principal and interest on the principal amount outstanding.

This category also includes trade receivables and non-trade receivables.

- **Cost**: This category includes the following financial assets: investments in group companies, jointly controlled entities and associates;

The classification of financial liabilities falls into the following main categories:

- **Amortised cost**: This category includes all financial liabilities except those that must be measured at fair value through profit or loss. It therefore includes the above portfolios of 'Loans and payables' which include participating loans that have the characteristics of an ordinary or common loan, including those whose interest was set below market, and 'Debts and payables' for both trade and non-trade transactions.

Classification and measurement:

i) Financial assets and liabilities

On the date Royal Decree 1/2021 came into force (1 January 2021), the Company opted to apply Transitional Provision 2 and include comparative information without restating the items for 2020 to show the balances for that year adjusted to the new presentation criteria. The Company has thus applied the new financial instrument categories in accordance with Royal Decree 1/2021 for the year ended 31 December 2021, and has applied the new categories, for presentation purposes only, for the comparative year ended 31 December 2020. Therefore, the main effects of this reclassification at 1 January 2021 are as follows:

			Amounts in thousands of euros
Categories of Royal Decree 1514/2007		**Loans and receivables**	**Investments in group companies, jointly controlled entities and associates**
Categories of Royal Decree 1/2021		**Financial assets at amortised cost**	**Financial assets at amortised cost**
Reclassifications	Notes		
Financial assets - 1 January 2021			
Final balance at 31 December 2020 - RD 1514/2007	8.10	1,533,822	754,110
Initial balance 1 January 2021 - RD 1/2021	8.10	1,533,822	754,110

ii) Financial liabilities

			Amounts in thousands of euros
Categories of Royal Decree 1514/2007		**Non-current and current payables**	**Trade and other payables**
Categories of Royal Decree 1/2021		**Financial liabilities at amortised cost**	**Financial liabilities at amortised cost**
Reclassifications	Notes		
Financial liabilities - 1 January 2021			
Final balance at 31 December 2020 - RD 1514/2007	20, 22	688,314	2,102,200
Initial balance 1 January 2021 - RD 1/2021	18	688,314	2,102,200

The impact of these changes did not cause any changes to the Company's equity.

iii) Derivatives and hedging activities

In application of Transitional Provision 3 of Royal Decree 1/2021, the Company chose to continue applying the criteria established in subsection (6) - Accounting hedges of NRV 9 - Financial instruments of Royal Decree 1514/2007, of 16 November. The Company has described its accounting coverage policy in Note 3.11 to these financial statements.

b) Inventories

Goods, services and other assets included in inventories are measured at cost, either acquisition or production cost as described in note 3.6, with the exception of listed raw materials traded by the entity as an intermediary. These are measured at fair value less their cost of sale. Changes in value are charged to profit or loss.

c) Revenue from sales and services.

The application as of 1 January 2021 of the ICAC's Resolution on standards for recording, valuation and preparation of annual accounts for the recognition of revenue for the delivery of goods and services, and the latest amendment to the General Chart of Accounts and its supplementary provisions through Royal Decree 1/2021, led to changes in the NRV 14 'Revenue from sales and services', as well as in the information to be included in the notes to the financial statements on these transactions.

The new standard is based on the principle that revenue is recognised when control of a good or service is transferred to the customer for the amount that reflects the consideration to which the entity expects to be entitled. Thus the concept of control, as a fundamental principle, replaces the current concept of risks and rewards.

To apply the above fundamental principle, the following successive steps must be followed:

- identify the contracts with clients;
- identify the obligations to be fulfilled;
- determine the transaction price or consideration for the contract transaction;
- allocate the transaction price between the obligations to be fulfilled, and

- recognise the revenue when (or as) the entity satisfies each obligation committed.

The key changes in current practice are as follows:

- Requirements are set for determining when revenue is accrued, in particular whether revenue should be recognised at a single point in time or over time, depending on the percentage of completion of the activity.

In applying the new criteria for revenue recognition, the Company has opted to apply the following practical solutions contemplated in subsection (2) of Transitional Provision Five of Royal Decree 1/2021:

- For contracts terminated or commencing and terminating during the financial year 2020, the Company has not restated these contracts.

The impact of these changes did not cause any changes to the Company's equity.

Fair presentation

The 2021 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 approved 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 on the Company's activity

The unexpected outbreak of the pandemic that occurred in December 2019 and the successive variants of the virus continues to affect economic markets, goods and services, and financial markets. In 2021, the challenges and uncertainties associated with the effectiveness of vaccines and continuous outbreaks of the illness continue to complicate the assessment of the economy in general and the oil and gas sector in particular.

The uncertainty caused by the pandemic continued to lead to a certain slowdown in the execution of projects, the gradual re-launch of some projects rescheduled at the request of our customers and the delay in final decisions regarding new investments. All of this has led to postponing of sales slated for 2021, impacting the Company's performance and cash position.

To mitigate these impacts, the Company and the Group, in addition to prioritising health protection for its employees, continued to carry out all activities initiated in 2020, aimed at strengthening the implementation of portfolio projects, consolidating the efficiency plan implemented since 2019, achieving new projects and its liquidity position. It should be noted that in projects in the portfolio affected by COVID-19, the Group has concluded price and term negotiations with its customers, with negotiations still ongoing due to the impact of COVID-19 on a smaller percentage of the portfolio.

In addition, the Group extended the maturity of its ICO-COVID facilities, in accordance with Royal Decree Law 34/20, of 17 November, which enables it to preserve its liquidity. It should also be noted that the Group applied for EUR 340 million in aid from the Fund for Supporting the Solvency of Strategic Companies in the second quarter of 2021 to strengthen its solvency and liquidity, in accordance with Royal Decree Law 25/2020, of 3 July, managed by the Spanish State-Owned Industrial Holding Company (SEPI), the payment of which was made 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 (see Note 33).

Lastly, it was noteworthy that in the first months of 2022 the Company's activity progressed positively, as did contracting of new projects and the completion of projects that were practically finished at the end of 2021.

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

Impact on operations

The Company has a backlog of projects awarded in recent years. None of the EPC projects in this backlog have been cancelled. However, the COVID-19 crisis substantially affected the operations of the Company and the Group, especially in the Middle East. In general, project performance has slowed down, especially in the procurement and construction phases, and some projects were rescheduled at the request of customers, extending their execution time.

No additional general rescheduling is expected. 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.

The year saw the appearance of new investments, which represents a change in trend, with significant awards having taken place in 2021. The directors consider that new awards will be made to the Company in 2022 and that, if there are delays in them, they will not spell the cancellation of the opportunities in progress.

Impact on liquidity

The coronavirus crisis continued to affect the Company in 2021 both in terms of earnings and in generating cash flows. In this regard, the Company and the Group incurred losses of EUR 344 million in 2021 and the Company's net debt increased by EUR 168 million in the year, as a result of the termination of the Teesside project by the customer, as well as the delays in the settlements of certain trade receivables and the rescheduling of certain projects, with net debt reaching 394 million at year-end.

The Company constantly monitors its liquidity needs by preparing a cash flow plan to ensure that it has the necessary financial resources to cover its operating needs in the coming years. The cash plan approved by the Board includes the following main assumptions:

- Sustained recovery in activity and financial flows in 2022.
- Progress on projects in accordance with the schedules agreed with customers.
- Gradual recovery of new projects awarded and their impact on cash.
- Progress on the ongoing plans to improve efficiency and cash flows.
- Cash conversion of our work performed but not yet billed according to a standard scenario.
- Disbursement from SEPI for 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. It also implemented new measures for managing working capital to mitigate the impact of the slowdown in payment for work performed but not yet billed. In addition, the Company obtained a waiver from complying with the financial ratios under all its facility agreements with covenants for all of 2021.

The directors, taking into account the forecasts for recovery in 2022 of the general environment and in particular of the Company's business, consider that its liquidity position will improve substantially due, among other aspects, to the normal progress on the projects underway, the development of a new portfolio of awarded projects and the conversion into cash of the executed work pending invoicing (see Note 9).

In addition, the Company has negotiated with certain customers to settle exchange orders, claims, work executed pending invoicing and the return of guarantees, having had to waive, on an ad hoc and extraordinary basis, part of the amounts claimed. Furthermore, in the first months of 2022 agreements were reached with customers in relation to claims and change orders for a total amount of EUR 62,392 thousand, which will enable the Company to invoice and collect on the work pending certification from these customers in accordance with the agreed payment schedule (see note 9). In addition, the disbursement of EUR 340 million from the ‘Fund for Supporting the Solvency of Strategic Companies’, received on 24 February 2022, has strengthened the Company's liquidity position and reasonably mitigates any isolated liquidity stress that the Company may experience during 2022.

The 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 for 2022. The directors estimate that the Company's liquidity and solvency position will improve substantially in 2022 as a result of the gradual recovery of its activity, the development of a new portfolio of awarded projects, the conversion into cash of the executed work pending invoicing, together with the formalisation and disbursement of EUR 340 million from the ‘Fund for Supporting the Solvency of Strategic Companies’ in February 2022. For all these reasons, the Company's directors have concluded favourably on the application of the going concern principle in the preparation of the consolidated financial statements for 2021.

Impact on solvency

The losses incurred in relation to COVID 19 during 2021 have resulted in a contraction of equity of EUR 315 million. However, the Company’s directors consider that the Company has sufficient mechanisms in place to recover this loss. In this regard, on 24 February 2022 the Group initiated the process to receive EUR 340 million from the 'Fund for Supporting the Solvency of Strategic Companies’, in accordance with Royal Decree Law 25/2020, of 3 July, which is managed by the Spanish State-Owned Industrial Holding Company (SEPI). This payment is structured into two tranches: A first tranche consisting of a participating loan of EUR 175 million, and a second tranche, in the form of an ordinary loan, of EUR 165 million. Both loans will have a term of four and a half years, 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 equity back to pre-COVID levels (see Note 28).

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

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 and the business assumptions indicated in Note 26, concluding that they may be recovered.

Lastly, it should be noted that the Company's directors and management are constantly monitoring any changes in the situation to successfully address any potential financial and non-financial impacts that may arise.

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 2021 and 2020. 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.

EUR 28,098 thousand was reclassified from under the 2020 'Procurements' to 'Other operating expenses' to make them comparable to 2021 figures.

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

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 results.

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 to verify whether or not a loss has been generated and whether it is possible to continue applying the percentage-of-completion method or whether it is necessary to re-estimate the expected margin on the project.

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

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.

j) 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, which 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.

(Expressed in thousands of euros)

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

3.2. Property, plant and equipment

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

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

Costs 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:

- 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.

- 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 preferential subscription rights and similar, or the segregation thereof to exercise them, the amount of 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. In determining this value, and provided that the investee has in turn invested in another investee, the equity included in the consolidated annual accounts prepared using the criteria Commercial Code and its implementing regulations is taken into account.

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).

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 reimbursed or included in the contract revenue. These costs are taken to the income statement depending on the stage of completion of the related project.

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

3.7. 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 2021 and 2020, 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.

However 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 group companies (see Note 20).

3.13. 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 20.

3.14. Revenue recognition

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

The Company bases its estimates on past results, taking into account the type of customer, type of transaction and specific terms of each agreement.

Service agreements

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

Turnkey engineering contracts

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

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

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

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

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

The Company occasionally negotiates and signs two or more contracts with the same customer. They are usually contracts in which the cost and turnaround times of one affect the 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.

3.15. Foreign currency transactions

Functional and presentational currency

The Company’s financial statements are presented in euros, which is its presentation and functional currency.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the 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.

3.16. 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. In order 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.

3.17. 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.

3.18. 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 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).

3.19. Business combinations

In the case of business combinations arising as 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).

3.20. 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.

3.21. 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), the Saudi rial (SAR) and, to a lesser extent, the Peruvian sol, the Turkish lira (TRY) and the Singaporean dollar (SGD). Foreign currency risk arises from future commercial transactions and recognised assets and liabilities.

In accordance with the hedging policy established, the Company uses forward contracts, negotiated by the Company's Treasury Department (the 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 Group's Treasury Department is responsible for managing the net position in each foreign currency using external foreign currency forward contracts (also taking into account the risks arising from currencies tied to the USD, where the hedge arranged protects the USD risk). In addition, the Company tries to hedge foreign currency risk via 'multicurrency' contracts with its customers, separating the sale price in the various currencies from the foreseen expenses and preserving the projected margins in euros.

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

The nature of the Company's business operations means that it is very common to contract transactions with customers in US dollars, while the corresponding costs are usually denominated in multiple currencies, albeit mainly USD. If, at 31 December 2021, 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 1,703 thousand (2020: EUR 18,354 thousand higher/lower) mainly as a result of the gains/losses generated by the appreciation/depreciation of the USD positions.

(Expressed in thousands of euros)

If the euro had appreciated / depreciated against the US dollar by a hypothetical 10%, equity would have been EUR 7,919 thousand higher / lower in the year ended 31 December 2021 (2020: EUR 68,652 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 174 days (2020: 144 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 balances of the principal exposures in foreign currency as a result of equity investments in foreign operations:

	2021	2020
Saudi Riyal	70,333	71,353
Turkish Lira	25,436	53,479
Peruvian Sol	105,089	126,097

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).

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 348,755 thousand (2020: EUR 296,826 thousand).

(Expressed in thousands of euros)

The exposure to variable interest rate risk at the reporting date is as follows:

						Thousands of euros
	2021			2020		
	Tied to Euribor	Other reference rates	Total	Tied to Euribor	Other reference rates	Total
Borrowed funds at variable rates (Note 20)	(383,033)		(383,033)	(383,561)	-	(383,561)
Interest-earning cash and cash equivalents (Note 14)	284,451	53,272	337,723	213,601	240,405	454,006
	(98,582)	**53,272**	**(45,310)**	**(169,960)**	**240,405**	**(70,445)**

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 133 thousand (2020: EUR 601 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 0 thousand. (2020: EUR 0 thousand).

b) Credit risk

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

- Assets under derivative financial instruments (Note 10).
- Various balances included in cash and cash equivalents (Note 13).
- 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 87% of the total 'Trade receivables' account (included under Trade and other receivables) at 31 December 2021 (2020: 81%), 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. This aid has taken the form of a participating loan amounting to EUR 175 million and an ordinary loan amounting to EUR 165 million. Both loans have a term of four and a half years with the possibility of early repayment, although the ordinary loan has a 1-year deferral period. During the term of these loans, the Company has the obligation not to distribute dividends.

(Expressed in thousands of euros)

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

	Thousands of euros	
	2021	**2020**
Non-current bank borrowings (Note 18)	(731,788)	(680,023)
Cash and cash equivalents (Note 13)	337,723	454,006
Net cash position	**(394,065)**	**(226,017)**
Undrawn credit lines and other loans (Note 18)*	117,955	205,500
Total liquidity reserves	**(276,110)**	**(20,517)**

* This amount does not include the unused amount of the limits in the MARF amounting to EUR 141 million and EUR 178 million in 2021 and 2020, respectively

The liquidity situation is shown below, taking into account the payment of 340 million from the Fund for Supporting the Solvency of Strategic Companies received on 24 February 2022.

	Thousands of euros	
	2021	**2021 from SEPI**
Non-current bank borrowings (Note 18)	(731,788)	(896,788)
Cash and cash equivalents (Note 13)	337,723	677,723
Net cash position	**(394,065)**	**(219,065)**
Undrawn credit lines and other loans (Note 18)*	117,955	205,500
Total liquidity reserves	**(276,110)**	**(13,565)**

The two signed syndicated credit lines, as well as the private placement, the placement on the German promissory note market, and the placement of MARF bonds on the market underwritten by the Company in force at the date of preparation of these financial statements, the total provision of which amounts to EUR 496.6 million (2020: EUR 453.5 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.

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.

(Expressed in thousands of euros)

At the date of preparation of these annual financial statements, the financial entities participating in the two syndicated credit lines authorised the 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) in 2021. Similarly, for the remainder of the financing, waivers have been obtained from the Company's obligations to meet the financial ratios during 2021.

For 2022, 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 2021				
Borrowings	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**
At 31 December 2020				
Borrowings	316,092	199,789	104,205	59,937
Derivative financial instruments	4,712	-	-	-
Trade and other payables	2,102,200	-	-	-
Total	**2,423,004**	**199,789**	**104,205**	**59,937**

4.2. Capital risk management

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

The Group monitors capital on the basis of the leverage ratios set out below. The leverage ratio is calculated dividing debt by equity. Debt is calculated as total borrowings. Equity is the amount shown in the consolidated financial statements. Likewise, the index is calculated that determines the ratio between the net cash position and equity.

		Thousands of euros
	2021	**2020**
Borrowings (Note 18)	(731,788)	(680,023)
Net cash position	(394,065)	(226,017)
Equity	**190,876**	**505,604**
% Borrowings / Equity	**(383%)**	**(134%)**

(Expressed in thousands of euros)

The financial tensions experienced in 2021 as a result of the situations caused by COVID-19 led to the worsening 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 its financial position to pre-COVID levels, such as applying for aid from the 'Fund for Supporting the Solvency of Strategic Companies', which was received on 24 February 2022, as well as efforts to increase the closure of customer claims.

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 2021 and 2020.

At 31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				
Hedging derivatives (Note 10)	-	13,319	-	13,319
Total assets	**-**	**13,319**	**-**	**13,319**
Liabilities				
Hedging derivatives (Note 10)	-	16,310	-	16,310
Total liabilities	**-**	**16,310**	**-**	**16,310**

At 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				
Hedging derivatives (Note 10)	-	28,455	-	28,455
Total assets		**28,455**	**-**	**28,455**
Liabilities				
Hedging derivatives (Note 10)	-	4,712	-	4,712
Total liabilities	**-**	**4,712**	**-**	**4,712**

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

a) Level 1 financial instruments

The fair value of the financial instruments traded in active markets is based on the market prices at the reporting date. A market is considered to be active if quoted prices are readily and regularly available from a stock exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the financial assets held by the 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 2021 or 2020.

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 Técnicas Reunidas, environmental management is a priority integrated into the Company's 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 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 100% of 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 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, Russia or Canada), which can lead to changes in working conditions during the performance of projects.

On the other hand, in the area of climate change opportunities, 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 Company to benefit from the opportunities that will arise from increased regulatory pressure on environmental issues, as it has the technology and solutions to help its customers meet these growing environmental demands.

This diversification of activities focuses on working with customers to improve the environmental performance of their facilities: production of clean fuels, natural gas and chemical products, biomass and solutions linked to the energy transition, the circular economy and decarbonisation (renewable hydrogen, biofuels, waste recovery, CO2 sequestration and capture) and, therefore, the reduction of greenhouse gas emissions.

Greenhouse gas emissions:

The main sources of greenhouse gases associated with the Company's activity correspond to the consumption of fossil fuels in the group's vehicle fleet and facilities (Scope 1), electricity consumption in these same facilities (Scope 2) and emissions from company travel (Scope 3).

(Expressed in thousands of euros)

In 2021, scope 1 emissions decreased by around 30% compared to 2020, as the Company continued with lower overall fuel consumption due to, among other factors, the slowdown or completion of some projects. In scope 2, there was an increase of 51% compared to 2020 due to the opening of some office buildings and the overall reduction of the telecommuting situation. In scope 3, there was an increase of 247% compared to 2020, due to the return to normality in terms of corporate travel and the company's strong commercial work during the year.

This year, within the framework of the Sustainability Plan, Técnicas Reunidas took on various environmental objectives, including implementing measures to promote energy efficiency, developing new projects related to the energy transition, establishing circular economy plans on site and in the office, and setting emission reduction targets of 30% for the period 2019-30 for scopes 1, 2 and 3 and carbon neutrality by 2040.

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 1/1/20				
Cost	74,361	370	10,885	85,616
Accumulated amortisation and impairment	(23,847)	-	(9,237)	(33,084)
Book value	**50,514**	**370**	**1,648**	**52,532**
Additions	-	-	150	150
Disposals	-	-	-	-
Amortisation charge	(1,483)	-	(565)	(2,048)
Other changes in cost	-	-	(11)	(11)
Other changes in depreciation	-	-	11	11
Balance at 31/12/20				
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**

(Expressed in thousands of euros)

Concessions

This heading includes the following concessions with their respective characteristics:

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

Concession assets are financed by borrowings amounting to EUR 13,476 thousand (2020: EUR 15,108 thousand).

Operating income from operating these concessions amounted to EUR 5,308 thousand in 2021 (2020: EUR 4,727 thousand).

In 2021 and 2020, no finance costs were capitalised and no impairment losses in addition to those already existing were recognised.

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

At 31 December 2021, the cost of the Group's fully depreciated items of intangible assets included on the balance sheet amounted to EUR 482 thousand (2020: EUR 7,634 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 1/1/20			
Cost	2,708	88,015	90,723
Accumulated depreciation and amortisation	(1,168)	(66,507)	(67,675)
Book value	**1,540**	**21,508**	**23,048**
Additions	-	1,275	1,275
Disposals	(1,180)	(7,634)	(8,814)
Amortisation charge	(88)	(4,483)	(4,571)
Derecognition of depreciation	858	2,651	3,509
Other changes in cost	-	(2,270)	(2,270)
Other changes in depreciation	-	2,169	2,169
Balance at 31/12/20			
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**

The decreases in 'Plant and other items of property, plant and equipment' relate mainly to items derecognised as a result of the transfer of offices in Madrid. Most of these items were fully depreciated.

a) Impairment losses

In 2021 and 2020 no impairment losses were recognised or reversed for individual property, plant and equipment.

b) Property, plant and equipment abroad

At 31 December 2021, the carrying amount of the assets located abroad, which relate to plant and other items of property, plant and equipment, amounted to EUR 1,112 thousand (2020: EUR 1,219 thousand), including total amortisation of EUR 3,991 thousand (2020: EUR 12,799 thousand). The decrease is mainly due to the derecognition of facilities at the camp located in Algeria.

c) Fully depreciated assets

At 31 December 2021, the cost of the fully depreciated items of property, plant and equipment still in use on the balance sheet amounted to EUR 7,808 thousand (2020: EUR 34,799 thousand).

(Expressed in thousands of euros)

d) Assets under operational leases

'Outside services' in the income statement includes operating lease expenses corresponding to the lease of offices amounting to EUR 11,741 thousand (2020: EUR 15,517 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	
	2021	2020	2021	2020	2021	2020
Financial assets at amortised cost (Note 9)	-	-	74,705	89,753	74,705	89,753
Financial assets at cost (Note 9)	197	197	-	-	197	197
Hedging derivatives (Note 10)	-	-	7,202	2,299	7,202	2,299
Total	**197**	**197**	**81,907**	**87,454**	**82,104**	**92,249**

	Thousands of euros					
	Current financial assets					
	Equity instruments		Derivatives Loans Other		Total	
	2021	2020	2021	2020	2021	2020
Financial assets at amortised cost (Note 9)	-	-	2,477,761	2,255,448	2,477,761	2,255,448
Hedging derivatives (Note 10)	-	-	6,117	26,156	6,117	26,156
Total	**-**	**-**	**2,483,878**	**2,281,604**	**2,483,878**	**2,281,604**

(Expressed in thousands of euros)

b) Financial liabilities:

	Thousands of euros					
	Non-current financial liabilities					
	Bank borrowings		Derivatives Loans Other		Total	
	2021	2020	2021	2020	2021	2020
Financial liabilities at amortised cost or at cost (Note 18)	467,261	363,931	7,878	7,528	475,139	371,459
Hedging derivatives (Note 10)	-	-	2	-	2	-
Total	**467,261**	**363,931**	**7,880**	**7,528**	**475,141**	**371,459**

	Thousands of euros					
	Current financial liabilities					
	Bank borrowings		Derivatives Loans Other		Total	
	2021	2020	2021	2020	2021	2020
Financial liabilities at amortised cost or at cost (Note 18)	264,527	316,092	2,223,317	2,348,062	2,487,844	2,664,154
Hedging derivatives (Note 10)	-	-	16,310	4,712	16,310	4,712
Total	**264,527**	**316,092**	**2,239,627**	**2,352,774**	**2,504,154**	**2,688,866**

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

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

(Expressed in thousands of euros)

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	
	2021	**2020**
Holdings in group companies, jointly controlled entities and associates	205,288	377,757
	205,288	**377,757**

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

In 2021 the shareholding in Técnicas Reunidas Australia Pty. was derecognised and the profit obtained amounted to EUR 15,109 thousand, which is recognised as finance income in the income statement (Note 22).

In 2020 the company Técnicas Reunidas Global for Engineering Consultancy Company Limited was added to the scope of consolidation.

The changes in investments in group companies, jointly controlled entities and associates at 31 December 2021 and 2020 are as follows:

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

	1 January 2020	**Additions**	**Disposals**	**31 December 2020**
Holdings in group companies, jointly controlled entities and associates	532,442	17,459	(53,642)	496,259
Unpaid capital	(1,150)	-	-	(1,150)
Impairment of investments	(149,296)	(22,427)	54,371	(117,352)
Total	**381,996**	**(4,968)**	**729**	**377,757**

The additions to investments in Group companies, jointly controlled entities and associates mainly relate to the contribution of shareholders to TR Canada INC for EUR 856 thousand and the purchase of a 20% interest in TR RUP Insaat VE TaahhüT L.S., for EUR 722 thousand.

In 2021, the Company impaired its shareholding in TR Saudia for Services & Contracting Co. Limited in the amount of EUR 173,729 thousand. This impact comes from the reassessment and update of the strategic plan carried out in the second half of 2021, after the impacts of COVID-19 extended in the first half, which resulted in the application for a EUR 340 million loan from the Fund for Supporting the Solvency of Strategic Companies (See note 28).

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 the Group's strategic plan.

In 2021 the dividends received for shares in group companies, jointly controlled entities and associates totalled EUR 142,066 thousand (2020: EUR 108,400 thousand) and are reflected as financial income in the income statement (Note 22). The dividend received from Initec Plantas Industriales, S.A. was used to offset debts that the Company owed to the subsidiary.

The detail of the investments in group companies, jointly controlled entities and associates at 31 December 2021 and 2020 is as follows:

(Expressed in thousands of euros)

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

Company	Registered Address	Business activity	Direct Stake	Indirect Stake	Net book value	Equity: Share capital	Equity: Reserves	Equity: Profit/loss	Dividends (Note 25)
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)	-
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)

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

Company	Registered Address	Business activity	Direct Stake	Indirect Stake	Net book value	Share capital	Reserves	Profit/loss	Dividends (Note 25)
ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES									
Master S.A. de Ingeniería y Arquitectura	SPAIN	ENGINEERING SERVICES	40.00%	-	-	152	(5,370)	(2,681)	-
Proyectos Ebramex, S. de R.L. de C.V.	MEXICO	ENGINEERING SERVICES	33.33%	-	-	21,953	(32,787)	-	-
Minatrico, S. de R.L. de C.V.	MEXICO	ENGINEERING SERVICES	33.33%	-	-	41,214	(30,050)	-	-
Total investments in associates and jointly controlled entities					-				
Total					**205,288**				

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

Investments in group companies, jointly controlled entities and associates in 2020

Company	Registered Address	Business activity	Direct Stake	Indirect Stake	Net book value	Equity			Dividends (Note 25)
						Share capital	Reserves	Profit/loss	
Técnicas Reunidas Internacional, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	120	120	979	(89)	1,837
Técnicas Reunidas Australia Pty.	AUSTRALIA	ENGINEERING SERVICES	100.00%	-	-	-	1,497	1,879	1,148
Termotécnica, S.A.	SPAIN	WHOLESALE MACHINERY	40.00%	60.00%	300	781	1,237	50	-
TR Construcción y Montaje S.A.	SPAIN	REAL ESTATE DEVELOPMENT	100.00%	-	150	332	1,342	37	-
Técnicas Reunidas Ecología, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	120	120	1,776	(265)	-
Técnicas Reunidas Metalúrgicas, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	60	120	1,695	44	-
Técnicas Reunidas Trade Panamá, S.A.	PANAMA	COMMERCIAL DEVELOPMENT	100.00%	-	46	46	43	(8)	-
Española de Investigación y Desarrollo S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	438	90	865	(490)	8,947
TR Proyectos Internacionales, S.A.	SPAIN	DEVELOPMENT AND CONTRACTING	100.00%	-	421	1,503	(9,335)	11,160	12,587
Técnicas Reunidas Venezuela S.A	VENEZUELA	COMMERCIAL DEVELOPMENT	100.00%	-	9	-	-	-	-
Layar, S.A.	SPAIN	COMPANY MANAGEMENT	100.00%	-	2,950	1,085	(23,744)	25,609	24,961
Initec Plantas Industriales, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	124,613	6,600	59,785	(65,982)	-
Initec Infraestructuras, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	6,312	1,800	4,993	(361)	-
Técnicas Reunidas Ecuador S.A.	ECUADOR	ENGINEERING SERVICES	100.00%	-	3	-	-	-	-
Técnicas Reunidas Gulf L.T.D.	SAUDI ARABIA	ENGINEERING SERVICES	100.00%	-	26,875	550	27,282	(957)	-
ReciclAguilar, S.A.	SPAIN	ENGINEERING SERVICES	80.00%	-	-	60	(488)	-	-
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	(254)	317	352
TR Brasil Participaçoes Ltd.	BRAZIL	ENGINEERING SERVICES	50.00%	-	7	-	-	-	-
TR Tec Ltda	BOLIVIA	ENGINEERING SERVICES	12.40%	87.60%	208	2	1,862	(185)	-
TR Canada INC	CANADA	ENGINEERING SERVICES	3.96%	96.04%	-	133,937	(206,621)	(18,379)	-
TR Engineers India Private LTD	INDIA	ENGINEERING SERVICES	100.00%	-	10	7	2,182	395	-
TR Saudi Arabia LLC	SAUDI ARABIA	ENGINEERING SERVICES	50.00%	50.00%	-	479	(552)	0	-
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%	173,729	149,220	(201,518)	(61,828)	-
Heymo Ingeniería, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	757	903	6,172	(1,017)	-

(Expressed in thousands of euros)

TR Servicios S.R.L. de C.V.	MEXICO	ENGINEERING SERVICES	75.00%	25.00%	4	6	390	224	-
Técnicas Reunidas USA L.L.C.	USA	ENGINEERING SERVICES	100.00%	-	27	27	3,194	25	-
TR Sagemis Italia S.R.L.	ITALY	ENGINEERING SERVICES	100.00%	-	80	10	11	(50)	-
TR Canadá E&C INC	CANADA	ENGINEERING SERVICES	15.00%	85.00%	5	36	450	1,943	335
TR Perú Ingeniería y Construcción	PERU	ENGINEERING SERVICES	100.00%	-	9	9	838	(134)	35
Deportes Valdavia 2017 SL	SPAIN	ENGINEERING SERVICES	100.00%	-	3	3	(6)	(2)	-
TR México Ingeniería y Construcción	MEXICO	ENGINEERING SERVICES	75.00%	25.00%	4	6	12,042	(6,913)	-
TR Italy	ITALY	ENGINEERING SERVICES	100.00%	-	10	10	1,049	(831)	-
TR Duqum Proyect LLC	OMAN	ENGINEERING SERVICES	65.00%	-	360	554	30,907	8,505	-
Ibérica del Espacio	SPAIN	ENGINEERING SERVICES	89.99%	10.01%	4,791	4,459	9,330	(8,849)	-
TR Colombia	COLOMBIA	ENGINEERING SERVICES	100.00%		6	6	(2)	431	-
TR Alberta	CANADA	ENGINEERING SERVICES	50.00%	50.00%	17	34	56	1,432	-
TR LLC Duqum	OMAN	ENGINEERING SERVICES	100.00%		288	575	(19,524)	18,354	11,287
TR Projeler	TURKEY	ENGINEERING SERVICES	100.00%		16	16	(9)	(8)	-
TR Global for Engeneeing	SAUDI ARABIA	ENGINEERING SERVICES	100.00%		1,418	-	1,353	-	-
Single-project companies with positive equity *		ENGINEERING SERVICES			30,592	148,821	(44,002)	91,660	46,911
Single project companies with an equity default *		ENGINEERING SERVICES			-	3,554	(35,453)	(23,991)	-
Other					8				
Total stake in group companies					**374,905**				

Investments in group companies, jointly controlled entities and associates in 2020

Company	**Registered Address**	**Business activity**	**Direct Stake**	**Indirect Stake**	**Net book value**	**Share capital**	**Reserves**	**Profit/loss**	**Dividends (Note 25)**
ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES									
Master S.A. de Ingeniería y Arquitectura	SPAIN	ENGINEERING SERVICES	40.00%	-	(675)	152	(2,689)	(2,681)	-
Proyectos Ebramex, S. de R.L. de C.V.	MEXICO	ENGINEERING SERVICES	33.33%	-	-	21,953	(32,223)	-	-
Minatrico, S. de R.L. de C.V.	MEXICO	ENGINEERING SERVICES	33.33%	-	3,527	41,214	(30,632)	-	-
Total investments in associates and jointly controlled entities					**2,852**				
Total					**377,757**				

(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:	**2021**	**2020**
Trade receivables for sales and services (a)	1,258,359	1,026,066
Receivable from group companies and associates (b)	363,625	427,290
Loans to group companies and associates (c)	784,672	754,110
Sundry accounts receivable	4,748	7,827
Receivable from group companies	86,217	39,185
Staff	250	533
Current tax assets (Note 20)	991	1,570
Other accounts receivable from public authorities	35,196	38,191
Provisions for impairment	(25,397)	(6,840)
	2,508,661	**2,287,932**

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 1,072,072 thousand for Work performed but not certified (2020: EUR 884,610 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. Closing these agreements involved one-time extraordinary assignment of certain amounts claimed to customers that were derecognised at the end of 2021.

In 2020, the evolution of the negotiations was affected by COVID-19, with consequent postponements, but this was brought back to normal in 2021.

(Expressed in thousands of euros)

At 31 December 2021, the amount of recognised income amounted to EUR 373,609 thousand (2020: EUR 310,019 thousand). In 2021 additions were recognised for EUR 99,624 thousand, with EUR 15,318 thousand in derecognitions due to certification and closure of projects.

With regard to the EUR 310,019 thousand recognised as income on account for claims and change orders at the end 2020, EUR 273,986 thousand were still in the process of being negotiated as of the date these financial statements were prepared.

In the first two months of 2022, agreements were reached with customers in relation to claims and change orders recognised at 31 December 2021, amounting to EUR 62,392 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 311,217 thousand.

At 31 December 2021, the total amount requested for change orders amounted to EUR 315,118 thousand. The amount requested for claims amounted to EUR 1,098,002 thousand.

The weighted average historical net rate of achievement of the amounts recognised in the balance sheet for claims and change orders for the last three years (2018-20) is 93%, with the range being 82% -128%.

The amount of receivables due at 31 December 2021 was EUR 110,257 thousand (2020: EUR 95,393 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	
	2021	**2020**
Less than 3 months	19,856	24,600
Between 3 and 6 months	4,483	16,853
More than 6 months	85,918	53,940
Total	**110,257**	**95,393**

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

The Company recognised a loss of EUR 18,557 thousand for the impairment loss on the value of its trade receivables in the year ended 31 December 2021 (2020: EUR 0 thousand).

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

	Thousands of euros	
	2021	**2020**
Opening balance	**6,840**	**6,840**
Period provisions	18,557	-
Amounts used	-	-
Ending balance	**25,397**	**6,840**

(Expressed in thousands of euros)

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

	Thousands of euros	
	2021	**2020**
Initec Plantas Industriales, S.A.U.	255,953	292,425
Técnicas Reunidas UK	27,321	26,033
TR DUQUM Proyect L.L.C.	22,670	36,948
TR De Construcao Unip. LDA	20,184	20,272
Técnicas Reunidas Ecología, S.A	5,047	4,692
TR Saudia for Servides and Contracting Co. Limited	4,353	3,381
Heymo Ingeniería S.A.	2,913	1,706
TR Bapco	326	4,046
Initec Infraestructuras, S.A.U.	695	586
TSGI Mühendislik İnşaat Limited Şirketi	-	10,781
Other group companies, associates and joint ventures	24,163	26,420
Total trade and other receivables from group companies and associates	**363,625**	**427,290**

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

	Thousands of euros					
	Other loans		**Tax receivables**		**Total**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Initec Plantas Industriales, S.A.U.	164,993	73,052	55,320	16,341	**220,313**	**89,393**
TR Saudia for Servides and Contracting Co. Limited	352,075	397,890	-	-	**352,075**	**397,890**
TR De Construcao Unip. LDA	40,019	39,223	-	-	**40,019**	**39,223**
TR Canada INC	74,795	55,658	-	-	**74,795**	**55,658**
Técnicas Reunidas UK	68,387	114,131	-	-	**68,387**	**114,131**
Other group companies, associates and joint ventures	26,576	55,690	2,507	2,125	**29,082**	**57,815**
Total	**726,845**	**735,644**	**57,827**	**18,466**	**784,671**	**754,110**

At 31 December 2021, the balance of loans to group companies includes EUR 57,827 thousand (2020: 18,466 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).

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

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

The average interest rate on loans to venturers in UTEs and joint ventures is the market rate of Euribor +2% and other benchmarks +2% (2020: 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.

(Expressed in thousands of euros)

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

	Thousands of euros	
	2021	**2020**
Euro	985,787	1,113,915
USD	1,078,712	841,534
KWD	262,970	152,294
Other currencies	181,192	180,189
Total	**2,508,661**	**2,287,932**

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 2021 and 2020 is as follows:

	Thousands of euros			
	2021		**2020**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign currency forward contracts - cash flow hedges	12,360	16,224	25,531	4,712
Commodity forward contracts	959	88	2,924	-
Total	**13,319**	**16,312**	**28,455**	**4,712**
Less: non-current portion:				
Foreign currency forward contracts - cash flow hedges	7,202	2	2,299	-
Commodity forward contracts	-	-	-	-
Non-current portion	**7,202**	**2**	**2,299**	**-**
Current portion	**6,117**	**16,310**	**26,156**	**4,712**

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.

(Expressed in thousands of euros)

The detail of the maturities by year of the notional amounts of the contracts in force at 31 December 2021 and 2020 is as follows:

	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)**					

	Fair value (thousands of euros)	**Currency**	**Maturity (Thousands of euros)**			
Type of instrument	**2020**		**2021**	**2022**	**2023**	**Total**
USD / EUR	24,575	USD	683,933	116,200	-	800,133
USD/SGD	956	SGD	21,362	-	-	21,362
Commodity forward contracts	2,924					
Assets	**28,455**					
Foreign currency forward contracts						
USD / EUR	4,331	USD	218,636	-	-	218,636
USD/JPY	381	JPY	395,760	-	-	395,760
Liabilities	**4,712**					
Net balances	**23,743**					

(Expressed in thousands of euros)

The detail of the maturities by year of the fair values of the contracts in force at 31 December 2021 and 2020 is as follows:

	2021	2022	2023	2024	Total fair value
Total assets 2021	-	6117	6,923	279	13,319
Total liabilities 2021	-	16,310	2	-	16,312
Total assets 2020	26,156	2,299	-	-	28,455
Total liabilities 2020	4,712	-	-	-	4,712

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 2021 and 2020, no ineffectiveness worthy of mention arose as a result of foreign currency hedges, which is recognised in the income statement.

11. Inventories

This heading includes the following items and amounts:

	Thousands of euros	
	2021	**2020**
Construction projects in progress and finished projects	7,136	7,182
Costs of submitting bids	9,800	10,568
	16,936	**17,750**

'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 cost of submitting tenders includes the amount of the contracts obtained.

(Expressed in thousands of euros)

12. Advances to suppliers

This heading includes a breakdown of advances to suppliers.

	Thousands of euros	
	2021	**2020**
Group	10,198	167,425
Non-Group	15,969	38,348
	26,167	**205,773**

In 2021 the balance of advances to group suppliers was offset with Initec Plantas Industriales, S.A. for EUR 154,704 thousand.

13. Cash and cash equivalents

The detail of the balance of this heading at 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	2021	**2020**
Cash	245,618	254,602
Cash equivalents	92,105	199,404
	337,723	**454,006**

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 2021, the effective interest rate on short-term deposits with credit institutions was 0% for deposits in euros (2020: 0%) and 0.1% for USD deposits (2020: 0.1%) and the average maturity of these deposits is 14 days (2020: 14 days). In addition, the Company maintained significant balances during the year in Saudi riyals (SAR) at 0.15%, Kuwaiti dinars (KWD) at 0.25%, Omani rials (OMR) at 3.00% and Peruvian soles (PEN) at 4.5%.

Of the total included under Cash and cash equivalents at 31 December 2021, EUR 265,245 thousand (2020: EUR 339,662 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 2021 or at 31 December 2020, 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.

(Expressed in thousands of euros)

14. Capital and share premium

The detail of the share capital and share premium at 31 December 2021 and 2020 is as follows:

	Share capital	Share premium	Treasury shares	Total
Balance at 01 January 2020	**5,590**	**8,691**	**(73,830)**	**(59,549)**
Other changes, net	-	-	721	721
Balance at 31 December 2020	**5,590**	**8,691**	**(73,109)**	**(58,828)**
Other changes, net	-	-	(160)	(160)
Balance at 31 December 2021	**5,590**	**8,691**	**(73,269)**	**(58,988)**

a) Share capital

A 31 December 2021 and 2020, 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:

	2021	2020
	%	%
Shareholder	**Ownership interest**	**Ownership interest**
Aragonesas Promoción de Obras y Construcciones, S.L.U.	5.10%	5.10%
Araltec Corporación, S.L.U.	31.99%	31.99%
Franklin Templeton Investment Management Ltd	3.00%	3.00%
Norges Bank	-	2.96%
Francisco García Paramés	5.15%	-
Álvaro Guzmán de Lázaro Mateos	3.49%	-
Ariel Investments. L.L.C.	3.01%	3.01%
Columbia Management Investment Advisers LLC	3.12%	3.12%
Other shareholders (including free float)	41.11%	46.89%
Treasury shares	4.03%	3.93%
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.

(Expressed in thousands of euros)

b) Share premium

This reserve is unrestricted.

c) Treasury shares

The changes in 'Treasury shares' in 2021 and 2020 were as follows:

	2021		2020	
	Number of treasury shares	**Thousands of euros**	**Number of treasury shares**	**Thousands of euros**
At beginning of year	**2,198,034**	**73,109**	**2,193,424**	**73,830**
Increases/purchases	4,171,582	40,389	3,338,697	42,423
Decreases/sales	(4,119,182)	(40,229)	(3,334,087)	(63,961)
At end of year	**2,250,434**	**73,269**	**2,198,034**	**73,109**

The treasury shares at 31 December 2021 represent 4.03% of the share capital (2020: 3.93%) of the Company and total 2,250,434 shares (2020: 2,198,034 shares) and have a weighted average price of EUR 32.56 per share (2020: EUR 33.26 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.

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 Parent Company entered into a liquidity agreement with Santander Investment Bolsa, Sociedad de Valores, S.A.U. The framework of this agreement is the Spanish Stock Exchanges and its purpose is to create added liquidity for transactions. The one-year agreement was renewed on 10 July 2017 pursuant to CNMV Circular 1/2017 of 26 April, and it was extended, tacitly, for additional years from 10 July 2020. The number of shares allocated to the securities account associated with the agreement is 74,500 shares and the amount allocated to the cash account associated with the agreement is EUR 2,537 thousand.

(Expressed in thousands of euros)

15. Reserves

The detail of reserves and profit/loss from previous years at 31 December 2021 and 2020 is as follows:

a) Reserves

	Thousands of euros	
	2021	**2020**
- Legal reserve	1,137	1,137
- Capitalisation reserve	3,056	3,056
- Other reserves	594,183	516,831
	598,376	**521,024**

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.

16. Allocation of profit/loss

Proposal for distributing profit/loss

The proposed distribution of the 2021 profit/loss to be submitted at the Annual General Meeting, as well as the approved distribution of profit for 2020, is as follows:

	Thousands of euros	
	2021	**2020**
Basis of allocation		
Profit/(loss)	(334,083)	77,744
	(334,083)	**77,744**
Allocation		
Other reserves	(334,083)	77,744
	(334,083)	**77,744**

The Company's Board of Directors did not approve the distribution of dividends on account in 2021 or 2020.

(Expressed in thousands of euros)

17. Translation differences

	Thousands of euros	
	2021	2020
Cumulative translation differences	(5,839)	(39,870)

The breakdown, by permanent establishment, of the cumulative translation differences at the end of 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Abu Dhabi branch	(2,638)	(5,636)
Algeria branch	(5,879)	(5,984)
Australia branch	(2,423)	(2,520)
Ankara branch	662	327
Moscow branch	(1,916)	(2,147)
Kuwait branch	3,054	(23,505)
Other	3,301	(405)
	(5,839)	**(39,870)**

18. Financial liabilities

Financial liabilities at amortised cost

The liabilities at amortised cost include:

	Thousands of euros	
	2021	2020
Non current:		
Bank borrowings (a)	467,261	363,931
Other financial liabilities	7,878	7,528
Total	**475,139**	**371,459**
Current:		
Bank borrowings (a)	264,527	316,092
Other financial liabilities	1,010	763
Accounts payable to connected parties (b)	435,876	304,750
Trade and other payables (c)	1,814,517	2,102,200
Total	**2,515,930**	**2,723,805**

(Expressed in thousands of euros)

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

a) Bank borrowings

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 13,476 thousand (2020: EUR 15,108 thousand) were taken out as collateral for concession assets (Note 5), which are recognised under 'Intangible assets'.

The changes in 'Financial debt' in 2021 and 2020 were as follows:

	2021	2020
Beginning balance	**680,023**	**522,132**
Drawdowns	713,907	703,020
Returns	(662,143)	(545,128)
Accrued interest	13,869	9,659
Interest paid	(13,868)	(9,660)
Ending balance	**731,788**	**680,023**

At 31 December 2021, of the total financial debt, EUR 348,755 thousand was at a fixed rate (2020: EUR 296,826 thousand), as detailed below:

	2021		2020	
Item	**Amount**	**Rate**	**Amount**	**Rate**
MARF promissory notes	84,200	0.52-2%	67,800	0.6%-0.65%
Fixed-rate SSD loans	8,000	1.45%	8,000	1.45%
Fixed-rate loans	52,844	1.29%-2.14%	45,257	1.85%
Syndicated line	-	-	49,745	1.40%
Syndicated ICO loan	97,911	2.45%	40,224	2.45%
MARF bonds	49,800	2.75%	29,800	2.75%
Private placement	56,000	3.25%	56,000	3.25%
	348,755		**296,826**	

The carrying amounts of the bank borrowings are denominated in euros, with an average effective interest rate at the balance sheet date of 1.97% (2020: 1.52%).

(Expressed in thousands of euros)

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 2021, these syndicated lines amounted to EUR 412,886 thousand. This financing requires a consolidated net financial debt/EBITDA ratio that is less than or equal to 2.5

In addition, these two agreements 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.

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 2021 amounted to EUR 84,200 thousand (2020: EUR 67,715 thousand). The average interest rate is 0.87% (2020: 0.6%). The bond program in the MARF was also renewed for EUR 100 million. The balance at 31 December 2021 amounts to EUR 49,800 thousand (2020: EUR 29,435 thousand). The bonds issued in the MARF have an interest rate of 2.75% and mature in December 2024.

From year-end to the date of preparation of these consolidated financial statements, the maturity of German market promissory notes in the amount of EUR 40 million was extended by two years.

The long-term private debt placement agreements and the German promissory note financing in force at 31 December 2021 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) in 2021.

The detail of the maturities by year of the contracts in force at 31 December 2021 and 2020 is as follows:

	2021	2022	2023	2024 and subsequent years	Total
2021	-	264,527	127,262	339,999	**731,788**
2020	316,092	118,549	245,382	-	**680,023**

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

(Expressed in thousands of euros)

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

	Thousands of euros	
	2021	**2020**
– maturing within one year	46,776	170,500
– maturing in more than one year	71,213	35,000
	117,989	205,500

b) **Accounts payable to connected parties**

	Thousands of euros	
	2021	**2020**
Group companies	425,367	286,022
Associates	10,509	18,728
	435,876	**304,750**

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

	Thousands of euros	
	2021	**2020**
Engineering services	245,884	192,703
Short-term loans	179,483	93,319
Group companies	**425,367**	**286,022**
Engineering services	10,396	9,843
Short-term loans	113	8,885
Associates	**10,509**	**18,728**

In 2021, 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	
	2021	**2020**
Payables to suppliers	1,296,165	1,398,474
Payable to suppliers - group companies and associates	243,954	367,075
Supplier retainings	100,747	86,380
Sundry accounts payable	1	1,712
Staff costs (remuneration payable)	5,973	5,707
Other accounts payable to public authorities	28,086	59,651
Customer advances	139,591	183,201
	1,814,517	**2,102,200**

(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	
	2021	**2020**
Initec Plantas Industriales, S.A.U.	132,137	237,846
Initec Infraestructuras, S.A.U.	2,052	2,188
Técnicas Reunidas Internacional, S.A.U.	492	311
Técnicas Reunidas Malaysia SDN	-	2,247
Técnicas Reunidas UK	72	103,096
TR Saudia for Servides and Contracting Co. Limited	86,438	8,721
TR México Ingeniería y Construcción	5,075	-
Other	17,688	12,666
	243,954	**367,075**

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

	Thousands of euros	
	2021	**2020**
Euro	437,655	576,565
US dollar	731,043	652,830
Other currencies	127,467	169,079
	1,296,165	**1,398,474**

Average period of payment to suppliers

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

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

	2021	**2020**
	Days	**Days**
Average period of payment to suppliers	108	83
Ratio of transactions paid	93	85
Ratio of transactions payable	133	78

	Amount (thousands of euros)	**Amount (thousands of euros)**
Total payments made	1,044,485	1,265,945
Total payments pending	445,758	460,026

(Expressed in thousands of euros)

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 Group's suppliers has been considered after eliminating the reciprocal credits and debits of the subsidiaries and, as applicable, those of the multi-group companies pursuant to the applicable consolidation rules.

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

19. Provisions

	Thousands of euros	
	2021	**2020**
Provisions for contingencies and charges	220,652	105,487
Non-current	**220,652**	**105,487**
Other provisions	23,027	23,057
Current	**23,027**	**23,057**

The changes in 2021 and 2020 were as follows:

	Thousands of euros	
	2021	**2020**
Beginning balance	128,544	113,174
Period provisions	121,844	30,197
Amounts used/reversed	(6,709)	(14,827)
Ending balance	**243,679**	**128,544**

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

(Expressed in thousands of euros)

Provisions for contingencies and charges - Non-current

This heading includes mainly provisions made to cover the negative equity of subsidiaries amounting to EUR 186,329 thousand (2020: EUR 64,485 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 estimation of the probable outcome of arbitral processes in Asia and Latin America.

Provisions for contingencies and charges - Current

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

In 2020 the provision related to the Finnish project was paid off for approximately EUR 40 million. In this regard, the balance at the end of 2021 relates mainly to the provision made as a result of the arbitration award for a project performed on the Iberian Peninsula, which was already recognised at the end of 2020.

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. and Ibérica del Espacio, S.A.

The reconciliation of net income and expenses for the year to the tax loss for income tax purposes for 2021 is as follows:

			Thousands of euros
			2021
			Income statement
Income and expenses for the year			(378,548)
	Increases	**Reductions**	
Income tax		(34,465)	
Permanent differences	306,935	(149,316)	157,619
Temporary differences	89,278	(10,114)	79,164
Taxable profit/Tax loss			**(141,766)**

(Expressed in thousands of euros)

The income tax expense is composed of the following:

	Thousands of euros	
	2021	**2020**
Deferred tax on temporary differences	(19,791)	(16,559)
Deferred tax credits	(10,715)	(14,476)
Other	(3,959)	(9,049)
	(34,465)	**(40,084)**

The detail of the tax carryforwards accumulated in the Spanish Consolidated Tax Group for which no tax assets have been recognised are as follows:

2021		2020	
Base	**Tax charge**	**Base**	**Tax charge**
183,836	45,959	112,688	28,172

Increases due to permanent differences relate to the following:

	Thousands of euros	
	2021	**2020**
Reversal of tax-deductible provisions (Royal Decree 3/2016)	-	4,637
Profit/(loss) from abroad	59,631	-
Non-deductible expenses	247,304	11
	306,935	**4,648**

Decreases due to permanent differences relate to the following:

	Thousands of euros	
	2021	**2020**
Profit/(loss) from abroad	-	132,268
Exemption for foreign dividends	134,963	108,400
Capital gains on sales of investees and Other	14,353	1,308
	149,316	**241,976**

Deferred tax assets	Thousands of euros	
	2021	**2020**
Deferred tax assets		
- recoverable in over 12 months	198,501	206,651
- recoverable in under 12 months	16,553	1,879
	215,054	**208,530**
Deferred tax liabilities		
- payable in over 12 months	15,440	8,286
- payable in under 12 months	3,001	-
	18,441	**8,286**

(Expressed in thousands of euros)

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

	2021		2020	
	Assets	**Liabilities**	**Assets**	**Liabilities**
At 1 January	208,530	8,286	181,026	16,199
Reversals/amounts used	(2,528)	-	(2,548)	-
Period provisions	22,319	-	19,107	-
Other	(13,267)	10,155	10,945	(7,912)
At 31 December	**215,054**	**18,441**	**208,530**	**8,286**

Deferred taxes arose from the following:

Deferred tax assets

	Thousands of euros	
	2021	**2020**
Tax losses recognised in permanent establishments	37,581	43,284
Recognition of portfolio allowances	66,962	53,310
Provisions for contingencies and charges and other	30,941	25,482
Depreciation	331	245
Concessions	3,722	3,722
Taxes arising from permanent establishments	9,833	-
Tax loss carryforwards *	65,684	82,487
	215,054	**208,530**

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

Deferred tax liabilities

	Thousands of euros	
	2021	**2020**
Hedging reserve	470	1,845
Taxes arising from permanent establishments	17,971	6,441
	18,441	**8,286**

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 10 years as, among other actions, there is a plan to liquidate these branches/subsidiaries in a shorter period. The assumptions used are based on the already known results guidance (in terms of, among others, portfolio, revenues and margins) as well as on the forecasts on which the disbursement of the 'Solvency Support Fund for Strategic Companies' is based and the recovery of the level of sales and their profitability in accordance with the expectations of normalised recovery of investments and the impact of the energy transition in the sector.

On 28 June 2014, 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 Company received a settlement proposal for an amount of EUR 138.2 million plus interest, and signed the assessment on a contested basis. The settlement agreement is based on the discrepancies of the Tax Agency with the criteria on which the Group's transfer pricing strategy is based.

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

In 2018, the Central Judicial Review Court (TEAC) partially ruled in favour of the Company, 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 statement of claim for all the proceedings was filed and the response to the claim by the State Attorney was received in all the proceedings, and the parties are waiting for the National Appellate Court to rule on the request for expert evidence made by TRSA and the joint ventures.

The Company's management and its tax advisers have concluded that it is not likely that the amount of the tax assessments appealed before the National Appellate Court will have to be paid. Management considers that there are technical arguments for the opinions of Técnicas Reunidas to be upheld in their entirety, and that likelihood is higher in the judicial review phase. Técnicas Reunidas' opinion is based on the fact that the agreed assessments signed in 2010 recognised the right of exemption of the unincorporated temporary joint ventures with which the Técnicas Reunidas Group operates abroad and, moreover, defined the intragroup transactions model on which Técnicas Reunidas developed its new transfer pricing model, with the support of its tax advisers.

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

At the date of preparation of these annual financial statements, the Company 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, an audit was opened into the Company's 2012 to 2014 income taxes and for 2014 to 2015 for the rest of its taxes. The audit closed with the signing of inspection certificates with tax settlement in 2020.

The agreements reached relate to the application of tax exemptions to the execution of projects through joint ventures. The Company and the Tax Inspectorate agreed that this exemption is partially applicable.

The signing of these Certificates of Conformity is intended to reduce the risks associated with the tax litigation that the Group bears. In addition, and in the opinion of the Director and the Company's tax advisers, the signing of that agreement does not change the estimate that the claim before the National High Court will be concluded favourably.

(Expressed in thousands of euros)

Likewise, 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 2,823 thousand for the payment and EUR 744 thousand corresponding to interest), while for 2013 and 2014 these certificates contained a settlement proposal amounting to EUR 5,002 thousand (EUR 4,169 thousand for the payment and EUR 833 thousand corresponding to interest).

In view of the settlement agreements and the proposed penalties, Técnicas Reunidas filed an appeal with the tax review board, requesting the suspension of payment of the debt (a request that was granted). On 3 February 2022, the tax review board notified two decisions, fully upholding the contested settlement agreements. In response to these decisions, TRSA plans to file an appeal for judicial review in the National Appellate Court within two months of the notification of the tax review board's decisions.

The Company's Management and its tax advisers have concluded that it is unlikely that the amount of the certificates appealed to the Tax Review Board, which Técnicas Reunidas plans to appeal in the National Court of Appeals, will have to be paid, so no provision has been made for these items.

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

Tax	Years
Income tax	2015-2021
Value-added tax	2016-2021
Personal income tax	2016-2021
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 revenue from the Company's normal activities was distributed geographically in the following way:

Market	**Thousands of euros**	
	2021	**2020**
Spain, Europe, Mediterranean	176,049	59,518
Middle East	1,147,211	1,375,945
Other	288,128	471,797
	1,611,388	**1,907,260**

(Expressed in thousands of euros)

Likewise, turnover by activity category is as follows:

Business activity	Thousands of euros	
	2021	**2020**
Oil and Gas	1,535,253	1,741,723
Power	33,889	143,630
Other industries	42,246	21,907
Total	**1,611,388**	**1,907,260**

In 2021 and 2020, 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	
	2021	**2020**
Sales	1,449,486	1,611,925
Purchases	1,064,540	1,126,979
Services received	72,277	218,142

c) Staff costs

	Thousands of euros	
	2021	**2020**
Wages and salaries	215,475	237,586
Termination benefits	3,834	1,917
Employee benefit costs	45,538	49,557
Provisions/reversals for employee benefits	1,340	1,387
	266,187	**290,447**

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

	2021	**2020**
Executive directors and senior executives	10	11
Graduates, line personnel and clerical staff	2,756	3,081
Non-graduates/Unqualified staff	21	25
Sales staff	19	23
	2,806	**3,350**

(Expressed in thousands of euros)

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

			2021			2020
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executive directors and senior executives	9	1	10	9	1	10
Graduates, line personnel and clerical staff	1,834	1,014	2,848	1,823	1,010	2,833
Non-graduates/Unqualified staff	18	1	19	22	1	23
Sales staff	13	6	19	12	9	21
	1,874	**1,022**	**2,896**	**1,866**	**1,021**	**2,887**

The above figures include 115 subcontracted workers (2020: 63 workers).

In 2021 there were 17 employees, included in the category of 'Graduates, line personnel and clerical staff', with a degree of disability of 33% or more (2020: 23 employees).

d) Other operating expenses

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

	Thousands of euros	
	2021	**2020**
Services	55,702	55,914
Rent and royalties	40,864	39,315
Independent professional services	41,968	43,430
Transport	6,832	7,518
Repairs and upkeep	6,244	7,818
Insurance premiums	6,701	9,088
Banking and similar services	45,476	36,702
Other	1,922	2,021
Outside services	**205,709**	**201,806**
Taxes other than income tax	5,616	3,836
Losses on, impairment of and change in trade allowances	24,625	2,977
Other current operating expenses	1,647	561
	237,597	**209,180**

(Expressed in thousands of euros)

22. Financial profit/loss

	Thousands of euros	
	2021	2020
Finance income:		
From investments in equity instruments:		
Group companies and associates (Note 8)	142,066	108,400
From marketable securities and other financial instruments:		
From group companies and associates	16,969	15,411
Third parties	991	1,104
	160,026	**124,915**
Finance costs:		
On debts to group companies and associates	(3,858)	(2,461)
On debts to third parties	(13,869)	(9,659)
Other finance costs	(3,447)	(1,153)
	(21,174)	**(13,273)**
Changes in fair value of financial instruments:		
Financial assets and liabilities held for trading and others (Note 9)	-	(1,444)
	-	**(1,444)**
Net exchange differences	**(22,927)**	**20,677**

	Thousands of euros	
	2021	2020
Impairment and gains or losses on disposals of financial instruments	(303,194)	(37,140)
Gains or losses on disposals (Note 8)	15,109	-
	(288,085)	**(37,140)**
Financial profit/loss	**(172,160)**	**93,735**

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 21. 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 4,500,390 thousand (2020: EUR 5,033,692 thousand) to guarantee the adequate fulfilment of agreements.

The total guarantees provided include syndicated guarantee lines amounting to EUR 671,787 thousand (2020: EUR 560,429 thousand) that are subject to certain covenants, compliance with which was exempted at 31 December 2021. The Parent's directors expect that the ratios or covenants included in the syndicated guarantee contracts will be met at the end of the next financial year.

(Expressed in thousands of euros)

In accordance with the general contracting terms and conditions of the Company and the group companies, they are obliged to issue technical guarantees in relation to the execution of the work (bank guarantees) and they must be held for a certain period.

As mentioned in Note 7, the bank borrowings in the amount of EUR 13,476 thousand (2020: EUR 15,108 thousand) financed the construction of the Concessions. Those loans (except for EUR 1,200 thousand) are secured with the stated concession assets.

In relation to the audits mentioned in Note 26, bonds have been paid to the tax authorities amounting to EUR 152,046 thousand. (EUR 125,127 thousand as instalment and EUR 26,919 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. Based on the opinion of the Company's legal advisers, formulated based on the available information, the Parent Company considers that, except for the disputes for which the provision corresponding to the best estimate made on the potential impact of the ruling has been recognised (see Note 19), their outcome will not significantly influence the Company's financial position.

Specifically, in 2021, a customer initiated arbitration against Técnicas Reunidas, asking the arbitrator to validate the actions related to the termination of the contract and a supplemental amount. Técnicas Reunidas, submitted its counterclaim and its Directors, based on the information available, do not expect any additional liabilities to arise from it beyond those already considered.

In addition, two lawsuits are in the process of being resolved in Peru and Portugal, the risks of which are considered sufficiently covered.

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:

	2021	2020
Less than 1 year	8,817	16,589
From 1 to 5 years	25,572	14,099

(Expressed in thousands of euros)

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:	**2021**	**2020**
Non-current assets	52,369	52,216
Current assets	816,995	779,958
	869,364	**832,174**
Liabilities:		
Non-current liabilities	49,498	26,337
Current liabilities	841,538	763,356
	891,036	789,693
Net assets	**(21,672)**	**42,481**
Revenue	1,171,735	1,425,019
Expenses	(1,183,865)	(1,342,489)
Profit/loss after tax	**(12,130)**	**82,530**

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 2021 and 2020 is presented below:

- Allowances for attendance at Board of Directors meetings, received by all the Board members: EUR 2,000 thousand (2020: EUR 1,865 thousand).
- Wages and salaries: EUR 800 thousand (2020: EUR 2,073 thousand).
- Life insurance premiums and pension plans: EUR 4 thousand (2020: EUR 38 thousand).
- Services rendered to the Group: EUR 305 thousand (2020: EUR 301 thousand).

Furthermore, the Company paid EUR 308 thousand in 2021 and EUR 145 thousand in 2020 for third-party liability insurance for Directors and Executives.

b) Remuneration of senior executives

The total remuneration paid in 2021 to senior executives amounted to EUR 3,484 thousand (2020: EUR 3,694 thousand). Severance payments were made for EUR 1,107 thousand (2020: EUR 1,415 thousand).

In 2021, no advances were granted to senior management (2020: EUR 0 thousand). Also in 2021, no loans were granted (2020: 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.

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:

(Expressed in thousands of euros)

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

No transactions were performed with the Company's directors in 2021 or 2020, except as detailed below:

Transactions performed with Banco Sabadell in 2021 and 2020:

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 2021 and 2020.

Transactions performed in the year:

	2021	2020
Finance costs	453	493
Finance income	-	3
Credit lines	9,950	10,000
Drawn balances	4,950	5,000
Guarantee lines	47,000	77,000
Used guarantees	21,329	51,756
Cash and cash equivalents	8,087	5,401

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:

	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**

(Expressed in thousands of euros)

	Group companies	Jointly controlled entities and associates
2020		
Services received	107,987	-
Finance costs	9,659	-
Total expenses	**117,646**	**-**
Services rendered	108,776	538,644
Finance income	14,511	-
Dividends received (Note 25)	108,400	-
Total income	**231,687**	**538,644**

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 2021 or 2020.

27. Environmental information

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

28. Events after the reporting date

On 18 February 2022, the Ministry of Finance and the Civil Service announced that the Council of Ministers had authorised the granting of temporary public assistance for Técnicas Reunidas in the amount of EUR 340 million. This authorisation came after the Board of Trustees of the Fund for Supporting the Solvency of Strategic Companies approved this loan.

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 have joint and several liability.

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.

During the term of these loans, the Company has the obligation not to distribute dividends. 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 financial and solvency position throughout 2022.

(Expressed in thousands of euros)

Both amounts were received on 24 February 2022.

The effect in 2021 if the SEPI funds are received, considering the participating loan as part of equity for corporate purposes, and the net cash position for the purposes of the covenants, would be as follows:

	2021	2021 with SEPI
Borrowings	(731,788)	(1,071,788)
Net cash position*	(394,065)	(219,065)
Commercial equity	190,876	365,876
% Borrowings / Commercial Equity	383.43%	292.93%
% Net cash position / Commercial Equity	(206.45%)	(59.87%)

*The participating loan is not considered in the calculation of the net cash position for the purposes of the covenants

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, which would need to be broken down.

29. Fees paid to auditors

The fees accrued for services engaged by the Company in 2021 from its auditors and other companies related to them are detailed as follows:

Fees:

	PWC*		Other companies of the PWC network		Total	
	2021	2020	2021	2020	2021	2020
Audit services	**425**	**379**	**-**	**-**	**425**	**379**
Other non-audit services	**217**	**131**	**73**	**309**	**290**	**440**
Tax services	-	-	73	309	73	309
Services required by law	-	-	-	-	-	-
Other services	217	131	-	-	217	131
	643	**510**	**73**	**309**	**715**	**819**

*PWC: PricewaterhouseCoopers Auditores, S.L.

(Expressed in thousands of euros)

	Deloitte		Other companies of the network		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Audit services	**373**	**334**	**-**	**-**	**373**	**334**
Other non-audit services	**25**	**25**	**20**	**57**	**45**	**82**
Other attest services	25	25	20	29	45	54
Tax services	-	-	-	-	-	-
Other services	-	-	-	28	-	28
	398	**416**	**20**	**57**	**418**	**416**

TÉCNICAS REUNIDAS, S.A.

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

2021

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%
TR BRANCH VOLGOGRADO	CONSTRUCTION SUPERVISION AND START-UP	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%
UTE HYDROCRAKER HUNG.	ENGINEERING AND PROCUREMENT SERVICES	15%	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%

2021

TÉCNICAS REUNIDAS, S.A.

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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%

TÉCNICAS REUNIDAS, S.A.

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2020

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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%
TR BRANCH VOLGOGRADO	CONSTRUCTION SUPERVISION AND START-UP	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 SA ODDZIAL W POLSCE	ENGINEERING AND PROCUREMENT SERVICES	100%	UTE TR/ASF. Cons.Aparc.Al	ENGINEERING AND PROCUREMENT SERVICES	50%
TR EP UTE OPTARA BELGIUM	Engineering Services and Project Execution	100%	UTE JV Hawiyah GPE	ENGINEERING AND PROCUREMENT SERVICES	15%
EP BANGLADESH	Engineering Services and Project Execution	50%	UTE Centro de día	ENGINEERING AND PROCUREMENT SERVICES	50%
EP JORDANIA	Engineering Services and Project Execution	50%	UTE TR/INIT. P.I. Rabigh	ENGINEERING AND PROCUREMENT SERVICES	85%
TR KUWAIT BRANCH	ENGINEERING AND PROCUREMENT SERVICES	100%	UTE TR/TREC OPER.DESALAD	ENGINEERING AND PROCUREMENT SERVICES	50%
TR FINLAND	ENGINEERING AND PROCUREMENT SERVICES	100%	UTE TR/INITEC INFRA CONST	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE Ju'aymah GPE	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE INITEC/TR SAIH RAWL	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE INITEC/TR RKF ARGELIA	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE TR Altamarca C. Viña	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TFT ARGELIA	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE TR/Duro F. CTCC Besós	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE INITEC/TR PISCINA HO	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE PEIRAO XXI	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR/IN CONS.COMPL.VIÑA	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE TR/GEA 21 COL.PLUVIA	ENGINEERING AND PROCUREMENT SERVICES	80%
UTE TR/Initec Pl. Fenoles	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE SANHER EL CARAMBOLO	ENGINEERING AND PROCUREMENT SERVICES	40%
UTE TR/Initec Pl. Bio	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE PERELLÓ	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR/IPI Offsites Abudh	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE PALMAS ALTAS SURL	ENGINEERING AND PROCUREMENT SERVICES	40%
UTE INITEC P.I./TR Mejill	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE TSK TR ASHUGANJ NORTH	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR/IPI Refi. de Sines	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE TR JJC	ENGINEERING AND PROCUREMENT SERVICES	51%
UTE P.I./TRSA KHABAROVSK	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE TR/ SGS PISTA 18R	ENGINEERING AND PROCUREMENT SERVICES	50%
TR ELEFSINA	ENGINEERING AND PROCUREMENT SERVICES	65%	UTE TR PHB JORDAN	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE HYDROCRAKER HUNG.	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE ELORRIO-ELORRIO	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR/IPI TR POWER	ENGINEERING AND PROCUREMENT SERVICES	85%	SAMSUNG-TR JOINT VENTURE	ENGINEERING AND PROCUREMENT SERVICES	29%
UTE ALQUILACION CHILE	ENGINEERING AND PROCUREMENT SERVICES	15%	TR OMAN BRANCH	ENGINEERING AND PROCUREMENT SERVICES	100%
TR ABU DHABI	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE HPP Gepesa	ENGINEERING AND PROCUREMENT SERVICES	60%

2020

TÉCNICAS REUNIDAS, S.A.

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UTE TR YANBU REFINERY	ENGINEERING AND PROCUREMENT SERVICES	80%	TECNICAS REUNIDAS FR BR.	ENGINEERING AND PROCUREMENT SERVICES	100%
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UTE INTEGRATED PROJECT	ENGINEERING AND PROCUREMENT SERVICES	65%	TRSA INDIA 33059	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR JRTP JAZAN	ENGINEERING AND PROCUREMENT SERVICES	85%	TRSA INDIA 33065	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR TALARA	ENGINEERING AND PROCUREMENT SERVICES	85%	TRSA INDIA 33117	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR OPTARA	ENGINEERING AND PROCUREMENT SERVICES	85%	TR BRANCH AZERBAIJAN	ENGINEERING AND PROCUREMENT SERVICES	100%
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UTE TR INTEGRATED GAS	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE BU HASA	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE FORT HILLS	ENGINEERING AND PROCUREMENT SERVICES	50%	UTE TR ADGAS	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE TR MINATITLAN	ENGINEERING AND PROCUREMENT SERVICES	75%	TRD DUQUM PROJECT	ENGINEERING AND PROCUREMENT SERVICES	65%
UTE IGD	ENGINEERING AND PROCUREMENT SERVICES	15%	TR SHARJAH	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR ETO	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE TR BALONGAN	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE FAHDILI	ENGINEERING AND PROCUREMENT SERVICES	50%	UTE MARJAN	ENGINEERING AND PROCUREMENT SERVICES	45%
UTE TR NAPHTHA RT	ENGINEERING AND PROCUREMENT SERVICES	70%	UTE TR NEC	ENGINEERING AND PROCUREMENT SERVICES	85%
TR SINGAPORE	ENGINEERING AND PROCUREMENT SERVICES	100%	UTE TR JURONG	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE TR MERCURY	ENGINEERING AND PROCUREMENT SERVICES	85%			

Directors' Report

1. Business performance

The macroeconomic environment

In 2021, the impact of the global pandemic caused by the COVID-19 pandemic continued to be strong. The various variants that originated throughout the year, especially the Delta and Omicron variants, had a significant effect on the development of many economic activities, delaying their expected recovery.

The implementation of vaccination campaigns worldwide has lead to 55% of the world's population receiving at least one dose. And this has allowed the impact of COVID-19's on health statistics to have been gradually reduced.

However, COVID-19 is still causing mobility restrictions and border closures in many countries around the world. These two factors, together with a significant increase in demand in many sectors, have a significant effect on the operation of supply chains with the resulting increase in raw material prices and the logistics chain.

The world economy continues to recover. According to data from the International Monetary Fund, the decline of 3.1% in 2020 was reversed to 5.9% growth in 2021 and it is expected that it will increase by 4.4% in 2022 and 3.8% in 2023.

The energy sector

The energy sector has been recovering together with the economy at large. Thus, the demand for oil that dropped to 80 million barrels per day in April 2020, reached 101 million barrels in December 2021, reaching pre-pandemic levels. As for natural gas, demand increased by almost 4% in 2021 compared to 2020, having also reached levels above the beginning of the pandemic.

The prices of energy commodities have reflected this evolution of demand. Oil has risen from USD 50 per barrel at the end of 2020 to USD 74 at the end of 2021 (with prices above USD 80 per barrel in recent months). As for natural gas, the Henry Hub price closed 2021 at USD 3.8 per MBtu (trading above USD 5 for several months), up from USD 2.6 in 2020.

Rising energy demand, the imbalance between demand and supply of traditional fossil fuels in some markets, and the prospects of a lower than expected impact of the pandemic have pushed prices up. And according to analysts' reports, this price level is likely to be sustained in the coming years. This is leading to increased investment activity by energy companies.

Técnicas Reunidas

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

In operations, many of the projects rescheduled in 2020 due to the emergence of COVID (40% of the portfolio) remained in this situation in 2021. The rest of the active projects have progressed at a slower rate than desired due to the restrictions imposed by COVID management. Thus, from quarterly turnover levels of over EUR 1.2 billion prior to the pandemic, turnover levels have fallen to around EUR 700 million per quarter. In other words, 40% less for more than 18 months now. In addition to this drop in revenues, the efficient management of COVID led to an increase in costs, which in many cases is still under discussion with clients and that is reflected in Técnicas Reunidas' accounts.

However, the recovery of investment in the sector has resulted in a significant volume of awards in 2021, exceeding EUR 4 billion. Moreover, 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.

At the same time, the company continued its asset streamlining process with the sale of non-strategic holdings. In this regard, the sale of 100% of Técnicas Reunidas Australia, which holds 50% of the operation and maintenance contract for a desalination plant in Perth (Australia), was completed in 2021.

Main financial figures

The pandemic has had a major impact on the company's financial figures. Revenues in 2021 were down 15% to EUR 1.611 billion. The operating result was a loss of EUR 206 million and the net result recorded a loss of EUR 344 million.

The evolution of the result is explained by the rescheduling of the execution of 40% of the portfolio from 2022 onwards and the slowdown of projects in execution. In addition to lower sales, cost overruns were incurred in the efficient management of COVID, which could not be recovered to date.

On the other hand, the termination of the Teesside project, when it was 99.2% complete, had a negative impact of 98 million on the operating result. Técnicas Reunidas filed a complaint about this termination and initiated arbitration proceedings in international courts.

2021 ended with a negative net debt position of EUR 394 million. The slower speed of project execution has resulted in an increase in working capital, with a consequent impact on Técnicas Reunidas' financial position. 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 companies affected by COVID

In mid-2020, the European Union launched a mechanism to help companies that were strategic prior to 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 is the granting and disbursement 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.

This financial package is stabilising the company's operations in 2022 and strengthening the company's equity back to where it was before COVID.

Share performance

Due to the scenario of the energy industry caused by the pandemic, the entire oil and gas engineering and construction sector performed negatively in the market in 2021. The evolution of the share price of Técnicas Reunidas was no exception, suffering a 36% decline on the year as a whole.

With respect to shareholders' remuneration, due to the crisis situation that the sector has been experiencing in recent years, the resulting fall in profits that Técnicas Reunidas has experienced and the Company's objective of preserving its cash flow, the Board held to its decision not to propose the distribution of dividends in the 2021 General Meeting.

Main projects awarded to Técnicas Reunidas

The Group was awarded over EUR 4 billion in projects in 2021. The main projects awarded during the year were:

- Sasa project in Turkey, formally signed in February 2021. This is a new petrochemical plant in Adana, Turkey, for the production of Purified Terephthalic Acid. The plant will have a production capacity of 1.5 million tonnes per year. The project represents a total investment estimated by the client at EUR 935 million, with the value of the Técnicas Reunidas contract included in this amount. The scope of the contract includes provision of the engineering, supply of equipment and materials, and supervision of construction.
- Expansion of the petrochemical complex for PKN Orlen, in Poland. The total investment will be EUR 1.8 billion, of which Técnicas Reunidas' scope amounts to approximately half, and it will consist of the installation of a new olefin production unit with a technology licence from KBR and a product recovery system. It will enable the integration of petrochemical operations with the production of clean fuels and will optimise the use of raw materials and resources in both processes. Técnicas Reunidas will perform the project in partnership with Hyundai Engineering, carrying out the engineering, procurement, construction and commissioning of the project. Both companies previously carried out the FEED of the project.
- The Advanced Methanol Amsterdam (AMA) project. This is a new bioethanol plant for GI Dynamics in the Netherlands, which will produce biomethanol by gasification of wood waste and non-recyclable household waste. The biomethanol will be blended with gasoline, contributing to the decarbonisation of transport. The contract includes the execution of the detailed engineering and the estimation of the investment in the form of 'open books' (FEED-OBE). With an estimated investment of over EUR 200 million, the future plant will have the capacity to produce 260 tonnes of bioethanol per day and will comprise high temperature gasification, acid gas recovery and methanol units.
- The development of the waste treatment unit at Gazprom Neft's Moscow refinery. The scope of the works, which will take 40 months to complete, includes the detailed design of the project, procurement of materials and equipment, construction management of the new unit and its commissioning. With a capacity of 2.4 million tonnes per year, the new unit will increase the plant's conversion level by transforming waste streams into high quality fuels that will meet the highest environmental standards. The contract value amounts to the equivalent of approximately USD 240 million.
- The Qatar Petroleum natural gas plant in Qatar. This investment will expand Qatar Petroleum's North Field onshore facilities. The project will take 41 months to complete and will increase storage and loading capacity for liquefied petroleum gases, which are by-products of the LNG liquefaction process. The initial value of the project is more than USD 500 million, although further extensions are planned. The value of these additional works would substantially increase the total amount of the project already awarded to Técnicas Reunidas.
- The petrochemical complex in Turkey for the Rönessans and Sonatrach joint venture. Promoted by Ceyhan Polipropilen Üretim A.Ş, a joint venture formed by the Turkish group Rönessans Holding and the Algerian company Sonatrach, it consists of a propane dehydrogenation plant for

the production of polypropylene. The contract (engineering, procurement, construction and start-up) involves an investment of more than EUR 1 billion and has been awarded to a company formed by Técnicas Reunidas and the construction subsidiary of the Rönessans group itself. The scope of Técnicas Reunidas amounts to EUR 550 million. The project is in the process of being closed financially.

- A fuel hydrogenation unit in Latin America, a project that has already been awarded to Técnicas Reunidas, but has not yet been disclosed by the client
- A contract for ADNOC for the Dalma gas project, which is part of the Gasha concession, the world's largest offshore sour gas development. The contract covers the engineering, procurement and construction of the gas conditioning facilities and has been awarded to the consortium formed by Técnicas Reunidas and its local partner, Target. The total contract value is USD 950 million, USD 510 million of which correspond to Técnicas Reunidas.

Energy transition

2021 saw continued acceleration of the energy transition phenomenon, aimed at transitioning a greater share of the energy supply to non-carbon primary energy sources and the launching of investments with the objective of achieving a global supply of emission-free energy by the middle of the twenty-first century.

Major global institutions, multilateral agencies, industrial companies and financial entities have expressed their commitment to contribute to this zero emission scenario (net zero). The oil and gas industry is no stranger to this movement. On the contrary, the customers of Técnicas Reunidas have taken a very active position to be part of the energy transition, opening major lines of investment.

In this regard, in 2020 Técnicas Reunidas formed the Energy Transition Committee, under the Executive Committee, which coordinates the entire activity of the company in relation to the new energy scenario. The strategy of Técnicas Reunidas in this regard entails five pillars of action:

- Positioning Técnicas Reunidas in the financing markets as a company committed to the energy transition. In this regard, in 2021 Técnicas Reunidas configured a financing framework associated with the energy transition, taking the most demanding market standards as a reference. At the end of 2021, approximately 30% of the Técnicas Reunidas portfolio was included in this financing framework.
- Establishing continuous monitoring of the technologies necessary for the transition, with the aim of identifying additional business opportunities and capacity gaps to be completed.
- Defining the sales offer to maximise the activity of Técnicas Reunidas in this new technological environment.
- Analysing in depth the method for implementing these projects, minimising costs to ensure competitiveness.
- Structuring a communication policy to convey to the various stakeholders the capabilities of Técnicas Reunidas and its commitment to the new energy environment.

As a result of this commitment, the company's business activity was intense in 2021, with multiple opportunities in the portfolio linked to green hydrogen projects, carbon sequestration and capture and circular economy. Thanks to its in-depth knowledge of these technologies, Técnicas Reunidas is participating in decarbonisation projects and offers in other energy-intensive industries, such as the iron and steel and cement sectors.

2. Research and development activities

Técnicas Reunidas continues with its firm commitment to research, development and scaling of new technologies focused on energy transition. In this sense, initiatives of different types are particularly relevant in technological proposals associated with the development of high efficiency electrolysers, the recycling of glass fibre and carbon fibre, hydrogen production technologies, recycling of plastics and technologies for the extraction and recovery of critical raw materials essential for the energy transition

At its José Lladó Technology Center, one of the most modern in Spain, where more than 70 people work between graduates and doctors of different disciplines, Research and Technological Development projects are developed. 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 the development of cooperative research between companies.

The Technology Centre makes facilitates and boosts the company's participation in innovation and R&D activities. It has more than 5000 sqm of state-of-the-art facilities and equipment, which allow activities to be carried out at any level, from the laboratory to the pilot plant, as well as the creation of demonstration plants and even basic or advanced engineering of the selected option, completing the entire R&D&I value chain, from idea to industrial implementation.

Técnicas Reunidas' R&D expenditure in 2020 was more than EUR 4 million.

In 2021 Técnicas Reunidas continued to work on national and European research and development projects:

Hydrogen

- EVER: development of low-cost electrolysers for the production of green hydrogen based on anionic membrane technologies.
- SHINEFLEET: development of compact renewable and blue hydrogen generators for the heavy transport industry.

Circular Economy

- SEA4VALUE: EU project (H2020) to develop valuable metal recovery technologies from brine produced in desalination plants.
- DUST: development of technology for the treatment and direct recovery of steel dust, waste considered hazardous waste due to its high heavy metal content.
- RECYCLION: 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.

Critical Raw Materials

- REMSELAN: development of technology for obtaining rare earths (cerium, neodymium, praseodymium, lanthanum and europium) by separation and purification of lanthanum.
- BIORECOVER: European project (H2020) for the development of technology to recover rare earths and platinum from primary and secondary sources.

Biorefining

- WALEVA-TECH: development of technology for obtaining high added value products from lignocellulosic biomass waste.

- LEVAPLUS: development of technology for the valorisation of raw materials rich in C6 sugars via the production of carboxylic acids that serve as a chemical platform for obtaining chemical products, polymers or pharmaceuticals. 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:

	2021	2020
Shareholder	**% Ownership interest**	**% Ownership interest**
Aragonesas Promoción de Obras y Construcciones, S.L.U.	5.10%	5.10%
Araltec Corporación, S.L.U.	31.99%	31.99%
Franklin Templeton Investment Management Ltd	3.00%	3.00%
Norges Bank	-	2.96%
Francisco García Paramés	5.15%	-
Álvaro Guzmán de Lázaro Mateos	3.49%	-
Ariel Investments. L.L.C.	3.01%	3.01%
Columbia Management Investment Advisers LLC	3.12%	3.12%
Other shareholders (including free float)	41.11%	46.89%
Treasury shares	4.03%	3.93%
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 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:

	2021	2020
	Days	Days
Average period of payment to suppliers	108	83
Ratio of transactions paid	93	85
Ratio of transactions payable	133	78
	Amount (thousands of euros)	Amount (thousands of euros)
Total payments made	1,044,485	1,265,945
Total payments pending	445,758	460,026

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.

11. Significant events after the reporting period.

On 18 February 2022, the Ministry of Finance and the Civil Service announced that the Council of Ministers had authorised the granting of temporary public assistance for the Técnicas Reunidas Company in the amount of EUR 340 million.

This authorisation came after the Board of Trustees of the Fund for Supporting the Solvency of Strategic Companies approved this loan.

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. During the term of these loans, the Company has the obligation not to distribute dividends.

Both amounts were received on 24 February 2022.

The effect in 2021 if the SEPI funds are received, considering the participating loan as part of equity for corporate purposes, would be as follows:

	2021	2021 with SEPI
Borrowings	(731,788)	(1,071,788)
Net cash position*	(394,065)	(219,065)
Commercial equity	190,876	365,876
% Borrowings / Commercial Equity	383.43%	292.93%
% Net cash position / Commercial Equity	(206.45%)	(59.87%)

*The participating loan is not considered in the calculation of the net cash position for the purposes of the covenants

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, which would need to be broken down.

12. Treasury shares

The treasury shares at 31 December 2021 represent 4.03% of the share capital (2020: 3.32%) of the Parent and total 2,250,434 shares (2020: 2,198,034 shares), with a weighted average price of EUR 32.56 per share (2020: EUR 33.26 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 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 Mercantile Registry 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.