TECNICAS REUNIDAS

ANNUAL ACCOUNTS

Auditors’ Report, Financial Statements at 31 December 2023 and Management Report for financial year 2023.

Técnicas Reunidas, S.A.

Independent auditors´ report on the annual accounts for the year ended December 31, 2023

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Picasso Tower
28020 Madrid
Spain

Tel: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

This version of the independent auditors' 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 independent auditors' report on the annual accounts takes precedence over this translation.

AUDIT REPORT OF THE FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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 2023, 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 2023, 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 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 provided 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 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.

Deloitte, S.L. Registered in the Mercantile Registry of Madrid, volume 13,650, section 8, folio 188, page M-54414, entry 96. C.I.F.: B-79104469. Registered office: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Revenue recognition in long-term contracts and Completed Work Pending Certification (OEPC)

Description	Audit Procedures
The revenue recognition approach followed by the Company is based on the percentage-of - completion method, considering the degree of progress in accordance with Spanish legislation applicable to construction contracts. This revenue recognition method has been a key matter for our audit as it affects the valuation of the Completed Work Pending Certification (OEPC), which as of December 31, 2023 amounts to €1,384 million, and for its application its requires the making of significant estimates, using relevant judgments in relation to the total costs necessary for the execution of the contract, as well as on the amount of claims or variations in the scope of the project that are included, where appropriate, as more revenue from the contract. The Company has implemented processes and controls to adequately recognize and oversee long-term contracts from the offer phase to closing and during execution. These processes include, among others: project organization, documentation, risk management, financial reviews and reporting, as well as control of the proper application of accounting principles. The disclosures on construction contracts and, where applicable, significant arbitrations in progress affecting them, arising from disputes with customers and suppliers, are set out to the Notes 3.15, 9, 21(a) and 23 of the annual report. Note 9 also provides details of change orders and claims being negotiated with clients at the year-end.	During our audit work, we considered our understanding of the controls applied to the process in which the profit margin on long-term contracts is estimated. Our procedures included, but are not limited to, testing the design, implementation, and operational effectiveness of certain relevant controls mitigating risks associated with the revenue recognition process for this type of construction contracts. For our substantive testing, we first selected a sample based on quantitative and qualitative criteria such as identifying contracts that are relevant due to either the total selling price, the amount of revenues or margins recognized in the year or by the risk associated with the costs pending to be incurred to complete the contract. We also sampled the remaining projects. For all the projects selected, we obtained the contracts in order to read and understand the most relevant clauses and related implications, as well as the project budgets and oversight reports, carrying out the following procedures in relation to the main aspects: • We analyzed margin trends as regards changes in both the selling price and the total budgeted costs. • We evaluated the consistency of the estimates made by the Company in the previous year using actual contract data for the current year.

Revenue recognition in long-term contracts and Work Executed Pending Certification (OEPC)	
Description	**Audit Procedures**
This is treated as a key audit matter given the relevance of the estimates used when recognising this revenue and the quantitative significance of the revenue.	• We recalculated the percentage of completion of each stage of the selected works and compared our findings with the Company's calculations. • As regards contract modifications and claims being negotiated with clients, we obtained evidence of technical approvals and the status of economic negotiations, as well as third-party expert reports and detailed explanations on the part of Company management. • We obtained explanations of the reconciliation of the financial information and the project monitoring reports provided by the project managers. • We obtained documentary support for agreements reached to settle and complete projects. Additionally, with respect to arbitration in progress, we obtained documents attesting to the status of each case at the year-end, events after the reporting period and assessments of the probable outcomes prepared by the Company’s management and legal advisors (Note 23 of the 2023 annual report). Finally, we have verified that the information disclosed in Notes 3.15, 9, 21 a) and 23 of the accompanying annual accounts in relation to the recognition of contract revenue on a percentage-of-completion basis meets the requirements of applicable accounting legislation. The outcome of the procedures performed enabled us to reasonably achieve the audit objectives for which the procedures were designed.

Recovery of deferred tax assets

Description	Audit Procedures
The balance sheet at 31 December 2023 includes a deferred tax asset balance of €285 million relating primarily to temporary differences arising from losses incurred on foreign operations that will be recoverable by the Spanish tax group headed by the Company when the regarding companies in question are liquidated. At the year-end, Company management prepares projections of project portfolios, revenues and returns per project to assess the capacity to recover the deferred tax assets, taking into account new legislation and updated project returns. These projections were prepared based on the information available at the date the accompanying accounts were issued, on applicable legislation (which, among other things, establish limitations on the use of tax credits) and the prior valuation agreement included in Note 20 of the accompanying annual accounts. A sensitivity analysis was performed on the critical variables used in the projections, mainly on the estimation of the profitability of future projects, also considering different scenarios in relation to the effects derived from the ruling of the Constitutional Court regarding the limitations set in RD 3/2016 on the application of negative tax bases. In such a way that even in the face of a 25% reduction in the expected average return, the recoverability of deferred tax assets would take place in a period of less than 10 years. The disclosures on deferred tax assets are set out in Note 20 of the notes to the accounts. We identified this as a key audit matter because the preparation of these projections requires a high level of judgement relating basically to changes in project projections that affect the estimation of the recovery of deferred tax assets.	We have gained an understanding and analyzed the estimation process carried out by the directors and management, focusing our procedures on aspects such as: • The preparation of the business plan, which is based substantially on projects in progress, portfolio projects and estimates of new projects to be contracted using historical information, prepared in order to assess the recognition and measurement of, and capacity to recover, the deferred tax assets. The method used to calculate the deferred tax assets. • The method used to calculate the deferred tax assets. • The base information used by Company management to analyze the recoverability of the deferred tax assets, checking that it matches the project estimates employed in other audit areas such as revenue recognition or the going concern principal assessment. We reviewed the documents and historical analysis of project sales and returns supporting the assumptions made by the Company's directors and management in relation to the recovery of deferred tax assets, as well as the Company's sensitivity analysis and its potential impact on recovery periods. We also involved our internal tax specialists in the analysis of the reasonableness of the tax assumptions employed on the basis of applicable legislation to ensure that they are complete and appropriate. Finally, we checked that Note 20 to the accompanying annual accounts contains the necessary disclosures on this matter.

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

Other information: directors’ report

Other information comprises only the management report for the 2023 financial year, the formulation of which is the responsibility of the Company's directors and is not 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) 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 annual accounts, 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 2023 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 that the annual accounts as a whole are free from material misstatement, due to fraud or error, and to issue an auditor's report containing our opinion.

Reasonable assurance is a high degree of security, but it does not guarantee that an audit carried out in accordance with the regulations governing the audit activity in force in Spain will always detect a material misstatement when it exists. Misstatements may be due to fraud or error and are considered material if, individually or in aggregate, they can reasonably be expected to influence the economic decisions that users make on the basis of the annual accounts.

A more detailed description of our responsibilities in relation to the audit of the annual accounts is included in Annex I to this audit report. This description is an integral part of our audit report.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the Single European Electronic Format (EUEF) of Técnicas Reunidas, S.A. for the financial year 2023 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 submitting the annual financial report for the financial year 2023 in accordance with the format requirements established in Delegated Regulation EU 2019/815, of 17 December 2018, of the European Commission (hereinafter, the EUSF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference into the management report.

Our responsibility is to examine the digital file prepared by the Company's directors, in accordance with the regulations governing the auditing activity in force in Spain. These regulations require us to plan and execute our audit procedures in order to verify whether the content of the annual accounts included in that file corresponds entirely to that of the annual accounts we have audited, and whether the format of the annual accounts has been carried out, in all material respects, in accordance with the requirements set out 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 what was stated in our additional report to the Company's audit committee dated February 28, 2024.

Contract term

The General Shareholders meeting held on 28 June 2023 appointed us as auditors for a period of one year, starting from the year ended December 31, 2022, i.e., for the financial year 2023.

Previously, we were appointed by resolution of the General Meeting of Shareholders as co-auditors together with PricewaterhouseCoopers Auditores, S.L. for the period of 1 year and we have been carrying out the audit work uninterruptedly with PricewaterhouseCoopers Auditores, S.L. as co-auditors since the year ended December 31, 2017.

DELOITTE, S.L.
Registered in the R.O.A.C nº S0692

Original signed in Spanish by
Antonio Sánchez-Covisa Martín-González
Registered in R.O.A.C nº 21.251

February 28, 2024

Annex I to our audit report

In addition to what is included in our audit report, in this Annex we include our responsibilities with respect to the audit of the annual accounts.

Responsibilities of the auditor in relation to the audit of the annual accounts

As part of an audit in accordance with the regulations governing the audit activity in force in Spain, we apply our professional judgment and maintain an attitude of professional skepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement in the annual accounts, due to fraud or error, design and implement audit procedures to respond to such risks and obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than in the case of a material misstatement, as fraud may involve collusion, falsification, deliberate omissions, intentionally erroneous statements, or circumvention of internal control.

- We obtain knowledge of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- We assess the adequacy of the accounting policies applied and the reasonableness of the accounting estimates and related information disclosed by the directors.

- We conclude on the appropriateness of directors' use of the going concern accounting principle and, based on the audit evidence obtained, we conclude on whether or not there is material uncertainty related to facts or conditions that may raise significant doubts about the Company's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in our audit report to the relevant information disclosed in the annual accounts or, if such disclosures are inadequate, to express a modified opinion. Our conclusions are based on the audit evidence obtained to date from our audit report. However, future events or conditions may cause the Company to cease to be a going concern.

- We assess the overall presentation, structure and content of the annual accounts, including disclosed information, and whether the annual accounts represent the underlying transactions and facts in a manner that gives a true and fair view.

We communicate with the entity's audit committee regarding, among other things, the planned scope and timing of the audit and significant audit findings, as well as any significant internal control deficiencies that we identify in the course of the audit.

We also provide the bank's audit committee with a statement that we have complied with applicable ethics requirements, including independence requirements, and have contacted the entity to report matters that may reasonably pose a threat to our independence and, where appropriate, the appropriate safeguards.

Among the issues that have been communicated to the entity's audit committee, we identify those that have been of the greatest significance in the audit of the annual accounts for the current period and that are, consequently, the key issues of the audit.

We describe these issues in our audit report unless the matter is prohibited by law or regulation from being publicly disclosed.

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.

Financial statements at 31 December 2023 and Directors Report for 2023

TÉCNICAS REUNIDAS, S.A.
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TÉCNICAS REUNIDAS, S.A.
BALANCE SHEET AT 31 DECEMBER 2023
(Expressed in thousands of euros)

ASSETS	Notes	At 31 December 2023	At 31 December 2022
NON-CURRENT ASSETS		**615,833**	**730,392**
Intangible assets	**5**	**45,250**	**46,873**
Property, plant and equipment	**6**	**15,689**	**7,631**
Non-current investments in Group companies and associates	**8**	**180,128**	**333,687**
Non-current financial investments	**7**	**89,427**	**94,867**
Shares and non-current equity interests.		197	197
Loans to third parties		289	147
Derivatives	**7-10**	-	1,237
Other financial assets		88,941	93,286
Deferred tax assets	**20**	**285,339**	**247,334**
CURRENT ASSETS		**3,256,693**	**3,294,224**
Inventories	**11**	**6,536**	**6,752**
Advances to suppliers	**12**	**74,184**	**32,300**
Trade and other receivables	**7-9**	**1,864,530**	**2,202,557**
Current investments in Group companies and associates	**9-7**	**629,352**	**532,290**
Current financial investments		**36,373**	**45,822**
Derivatives	**7-10**	25,968	34,366
Other financial assets	**7**	10,405	11,456
Cash and cash equivalents	**13**	**645,718**	**474,503**
TOTAL ASSETS		**3,872,526**	**4,024,616**

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

TÉCNICAS REUNIDAS, S.A.
BALANCE SHEET AT 31 DECEMBER 2023
(Expressed in thousands of euros)

EQUITY AND LIABILITIES	Notes	At 31 December 2023	2022
EQUITY		**500,580**	**202,248**
Shareholders' equity		**481,932**	**198,587**
Share capital	**14**	**8,030**	**5,590**
Registered share capital		8,030	5,590
Share premium	**14**	**156,343**	**8,691**
Reserves	**15**	**252,325**	**254,152**
Legal and bylaw reserves		1,137	1,137
Capitalisation reserve		-	3,056
Other reserves		251,188	249,959
(Treasury shares)	**14**	**(73,833)**	**(72,909)**
Profit for the year	**16**	**139,067**	**3,063**
Valuation adjustments		**18,648**	**3,661**
Hedging transactions		13,392	(3,946)
Translation differences	**17**	5,256	7,607
NON-CURRENT LIABILITIES		**867,687**	**1,089,360**
Participative loans	**18**	**175,000**	**175,000**
Non-current provisions		**284,492**	**286,582**
Other provisions	**19**	284,492	286,582
Non-current payables		**381,498**	**600,482**
Bank borrowings	**18**	375,054	593,799
Other financial liabilities	**18**	6,444	6,683
Liabilities from differed taxes	**20**	**26,697**	**27,296**
CURRENT LIABILITIES		**2,504,259**	**2,733,009**
Current provisions	**19**	**10**	**78**
Current payables		**306,189**	**223,426**
Bank borrowings	**18**	304,094	200,914
Derivatives	**7-10**	1,047	21,502
Other financial liabilities	**18**	1,048	1,010
Current payables to Group companies and associates	**18**	**65,044**	**259,013**
Trade and other payables	**18**	**2,133,016**	**2,250,491**
TOTAL EQUITY AND LIABILITIES		**3,872,526**	**4,024,616**

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

TÉCNICAS REUNIDAS, S.A.
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in thousands of euros)

	Notes	Year ended 31 December 2023	2022
CONTINUING OPERATIONS			
Net Income	**21**	**2,772,827**	**2,417,488**
Sales and services rendered		2,772,827	2,417,488
Changes in inventories of finished goods		**2,029**	**(2,889)**
Procurements		**(1,832,838)**	**(1,864,919)**
Cost of goods held for resale used		(1,832,838)	(1,864,919)
Other operating income		**10,215**	**8,970**
Non-core and other current operating income		5,890	6,189
Income-related grants transferred to profit or loss		4,325	2,781
Staff costs	**21.c**	**(323,427)**	**(271,970)**
Wages, salaries and similar expenses		(269,163)	(225,730)
Employee benefit costs		(52,609)	(44,906)
Provisions		(1,655)	(1,335)
Other operating expenses		**(278,754)**	**(277,390)**
Outside services	**21.d**	(253,014)	(227,452)
Taxes other than income tax		(7,929)	(5,903)
Losses on, impairment of and change in allowances for trade receivables		(16,533)	(44,094)
Other current operating expenses		(1,278)	59
Depreciation and amortisation charge	**5 y 6**	**(4,336)**	**(3,701)**
Impairment and gains or losses on disposal of non-current assets		**196**	**20**
PROFIT/(LOSS) FROM OPERATIONS		**345,912**	**5,609**
Finance income		115,058	109,798
Finance costs		(53,511)	(40,537)
Exchange differences		(8,051)	24,308
Impairment and gains or losses on disposal of financial instruments		(196,755)	(115,521)
FINANCIAL PROFIT/(LOSS)	**22**	**(143,259)**	**(21,952)**
PROFIT/(LOSS) BEFORE TAX		**202,653**	**(16,343)**
Income tax	**20**	(63,586)	19,406
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**139,067**	**3,063**
PROFIT/(LOSS) FOR THE YEAR		**139,067**	**3,063**

The accompanying Notes 1 to 29 and Appendix I are an integral part of these financial statements.
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TÉCNICAS REUNIDAS, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in thousands of euros)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2023

	Year ended 31 December	
	2023	**2022**
Profit/(Loss) for the year per income statement	**139,067**	**3,063**
Income and expense recognised directly in equity		
Arising from cash flow hedges	23,673	(42,903)
From actuarial gains and losses and other adjustments	(2,351)	13,446
Tax effect	(5,918)	10,744
Total income and expense recognised directly in equity	**15,404**	**(18,713)**
Transfers to profit or loss		
Arising from cash flow hedges	(538)	35,738
Tax effect	121	(8,935)
Total transfers to profit or loss	**(417)**	**26,804**
TOTAL RECOGNISED INCOME AND EXPENSES	**154,054**	**11,153**

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

TÉCNICAS REUNIDAS, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

B) STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in thousands of euros)

	Share capital (Note 14)	Share premium (Note 14)	Reserves (Note 15)	Treasury shares (Note 14)	Profit/(loss) for the year (Note 16)	Valuation adjustments (Notes 10 and 17)	TOTAL
ADJUSTED BALANCE AT BEGINNING OF 2022	**5,590**	**8,691**	**598,376**	**(73,269)**	**(344,083)**	**(4,429)**	**190,876**
Total recognised income and expense	-	-	-	-	3,063	8,090	11,153
Transactions with shareholders or owners	-	-	-	-	-	-	-
- Dividends paid	-	-	-	-	-	-	-
- Other transactions with shareholders or owners	-	-	(141)	360	-	-	219
Other changes in equity							
- Distribution of profit	-	-	(344,083)	-	344,083	-	-
- Other changes	-	-	-	-	-	-	-
BALANCE AT END OF 2022	**5,590**	**8,691**	**254,152**	**(72,909)**	**3,063**	**3,661**	**202,248**
ADJUSTED BALANCE AT BEGINNING OF 2023	**5,590**	**8,691**	**254,152**	**(72,909)**	**3,063**	**3,661**	**202,248**
Total recognised income and expense	-	-	-	-	139,067	14,987	154,054
Transactions with shareholders or owners	-	-	-	-	-	-	-
- Dividends paid	-	-	-	-	-	-	-
- Other transactions with shareholders or owners	-	-	913	(924)	-	-	(11)
Other changes in equity							
- Capital increase	2,440	147,652	(5,803)	-	-	-	144,289
- Distribution of profit	-	-	3,063	-	(3,063)	-	-
- Other changes	-	-	-	-	-	-	-
BALANCE AT END OF 2023	**8,030**	**156,343**	**252,325**	**(73,833)**	**139,067**	**18,648**	**500,580**

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

TÉCNICAS REUNIDAS, S.A.
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in thousands of euros)

	Notes	Year ended 31 December 2023	2022
Cash flows from operating activities			
1. Profit/(Loss) for the year before tax		202,653	(16,343)
2. Adjustments for:			
Depreciation and amortisation charge	5 and 6	4,336	3,701
Change in provisions, impairment of trade receivables	19	900	44,094
Impairment losses	8	198,893	114,342
Gains on sales of Group companies and associates	8	-	1,179
Gains/(Losses) on derecognition and disposal of non-current assets		-	5
Finance income	25	(115,058)	(109,798)
Finance costs	25	53,511	40,537
Changes in gains/(losses) on derivatives		(538)	35,738
- Other income and expenses		8,051	(1,195)
3. Changes in working capital:			
Inventories and advances	11 and 12	(43,914)	(3,245)
Trade and other receivables		345,101	(490,653)
Other accounts receivable		4,203	(205)
Trade payables		(125,911)	386,430
Other financial assets		(200)	(18,728)
Settlements of hedging derivatives		12,855	(59,998)
4. Other cash flows from operating activities			
Interest paid		(41,984)	(33,551)
Dividends received		28,370	-
Interest received		12,409	27,669
Income tax recovered/(paid)		(13,296)	(3,160)
5. Cash flows from operating activities		**530,381**	**(83,181)**
Cash flows from investing activities			
6. Payments due to investments			
Acquisition of property, plant and equipment	6	(10,745)	(1,142)
Acquisition of intangible assets	5	(29)	(31)
Investments in Group companies and associates		(53,045)	(4)
7. Proceeds from disposals			
Property, plant and equipment		258	3
Sale of interests in Group companies and associates		-	1,535
8. Cash flows from investing activities		**(63,561)**	**361**
Cash flows from financing activities			
9. Proceeds and payments relating to equity instruments			
Acquisition and disposal of treasury shares, net		(11)	218
Capital increase	14	150,092	-
10. Proceeds and payments relating to financial liabilities			
a) Issue			
Bank borrowings		277,175	461,957
Payable to Group companies and associates		132,897	159,329
b) Return			
Bank borrowings		(401,200)	(230,600)
Payable to Group companies and associates		(454,558)	(171,304)
12. Cash flows from financing activities		**(295,605)**	**219,600**
Net change in cash and cash equivalents		**171,215**	**136,780**
Cash and cash equivalents at beginning of year		**474,503**	**337,723**
Cash and cash equivalents at end of year		**645,718**	**474,503**

The accompanying Notes 1 to 29 and Appendix I are an integral part of these 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 of its Articles of Association is registered in volume 40579, section 8, book 0, page 30, sheet M-72319, entry 262.

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

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

As part of its engineering services activity the Company mainly operates in the following lines of business:

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

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

As indicated in Note 8, the Company is the parent of a group of companies ('the Group'). The accompanying financial statements were prepared on an unconsolidated basis. On 28 February 2024, the Board of Directors prepared the consolidated financial statements of Técnicas Reunidas, S.A. and its subsidiaries at 31 December 2023, which were prepared using the international financial reporting standards adopted by the European Union (EU-IFRS). In accordance with the content of these consolidated financial statements, equity amounts to EUR 324,517 thousand (2022: EUR 83,014 thousand), a figure that includes the profit for 2023 amounting to EUR 59,730 thousand (2022: EUR 34,484 thousand in losses), of which EUR 60,951 thousand are attributable to the Company's shareholders (2022: EUR 37,134 thousand).

2. Basis of presentation

Regulatory financial reporting framework applicable to the Company

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

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

Fair presentation

The financial statements for 2023 have been prepared from the Company's accounting records and are presented in accordance with current commercial law and the National Chart of Accounts enacted by Royal Decree 1514/2007, as most recently amended by Royal Decree 1/2021, of 12 January, applicable for years beginning on or after 1 January 2021, to present fairly the Company's equity, financial position and results of operations, as well as the truthfulness of the cash flows included in the statement of cash flows. 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.

Significant events

a) Capital increase

In May 2023, the Company increased share capital by EUR 150,092 thousand, which was fully subscribed and paid at 31 December 2023. This capital increase is part of its strategy to strengthen its equity and liquidity so as to face the wave of energy and decarbonisation investments that the Company is undertaking with more assurance.

As a result of this capital increase, the Company has strengthened its financial position and solvency. From the point of view of liquidity management, EUR 47.5 million of the capital increase has been allocated to cover debt maturities, and the remaining amount of the capital increase, net of expenses, has been used proportionally to strengthen the Company's cash levels and to finance the operating expenses associated with the launch of the low-carbon technologies segment for a combined amount of approximately EUR 95 million.

It should also be noted that, together with the capital increase, the Company's liquidity position has also been strengthened as a result of the recovery of activity and financial cash flows since the second half of 2022 and especially in 2023; also noteworthy is the progress made on the projects in accordance with the schedules agreed with customers, the smooth execution of recently contracted projects, the progress of ongoing plans to improve the efficiency of the Company's activities, the conversion into cash in 2023 of exchange orders and claims, and the various financial measures taken by the Company in recent periods (most notably the EUR 340 million obtained in 2022 from the Fund for Supporting the Solvency of Strategic Companies). The Company constantly monitors its liquidity needs and ensures that it has the necessary funds to cover its operational requirements.

Against this backdrop, the Company's directors consider that its liquidity and solvency position will be strengthened in the coming quarters as a result of the ongoing progress on the projects under way, the development of the new portfolio of projects awarded and the conversion into cash of the work performed but not yet billed.

b) The Conflict in Ukraine

The armed conflict in Ukraine had a significant impact on our operations. On the one hand, as a result of the restrictions imposed by the European Union and other international bodies, the project to be carried out with Gazprom to revamp the Moscow refinery for EUR 234 million was cancelled, with 4.75% of the project having already been completed at the date of cancellation, as activity in Russia is restricted in line with the sanctions imposed.

On the other hand, the conflict in Ukraine has significantly affected the stability of the markets, especially in geographical areas close to those affected by the conflict. This has therefore caused major disruptions throughout the supply chain of the engineering and construction industry in the energy sector. This has mainly resulted in significant instability of suppliers' offers and a lack of availability of resources.

Throughout 2023, the Company reached agreements with the customers of several projects that were most affected by the consequences of the war and its aftermath and drew up addenda and amendments to the original contracts. This has enabled the Company to mitigate the effects of the conflict on project performance and to carry out the projects in accordance with the margins initially planned.

The most significant effect has been the change in market conditions, both in terms of supply and prices, caused by the external shock of the conflict and its global consequences. Throughout 2023 there have been various disruptions to logistics chains, labour shortages in areas close to the conflict such as Poland, rising prices globally and, as a result, interest rate hikes across the board to offset the impact of inflation. The Company's good management practices have allowed it to mitigate these impacts with the agreements reached with customers as described above, with efficiency policies at a global level to maintain structural costs and with an appropriate financial policy (see Notes 10 and 20) to mitigate the impact of the interest rate hikes, and the management of the rights of use on leased assets.

c) Effects of COVID

The effects of COVID-19 were substantially less in 2023, due to the compensation arrangements reached in this regard, with the situation of the projects affected having stabilised to date as a result of the compensation arrangements reached with customers.

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 2023 and 2022. The Company presents comparative information in the explanatory notes to the financial statements when it is relevant for a better understanding of the current year's financial statements.

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

As regards the figures for 2022, EUR 7,296 thousand was reclassified from 'Inventories' to 'Trade and other payables'.

Accounting estimates and judgements

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

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

a) Revenue recognition

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

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

b) Income tax and deferred tax assets

The calculation of income tax requires the interpretation of tax legislation applicable to the Company. There are also several factors linked mainly, but not exclusively, to changes in tax laws and to changes in the interpretations of the tax laws in force, which require 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. Regarding 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) Impairment of equity investments in Group companies, jointly controlled entities and associates

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

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

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

i) Impairment of concession assets

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

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

Grouping of items

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

3. Accounting criteria

3.1. Intangible assets

a) Research and development expenditure

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

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

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

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

b) Computer software

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

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

c) Patents, licenses, brands and others

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

d) Concession arrangement, regulated asset

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

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

3.2. Property, plant and equipment

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

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

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

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

(Expressed in thousands of euros)

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

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

3.4. Impairment losses to non-financial assets

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

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

3.5. Financial assets

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

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

a) Financial assets at amortised cost

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

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

This category includes trade receivables and non-trade receivables:

a) Trade receivables: includes those financial assets arising from the sale of goods and provision of services in the ordinary course of the Company's business for which collection is deferred.

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

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

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

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

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

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

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

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

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

b) Financial assets at cost

In any case, these measurement categories include:

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

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

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

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

e) Participative 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.

The investments included in this category are initially measured at cost, which is equal to the fair value of the consideration given plus any directly attributable transaction costs, with the latter not being included in the cost of the investments in Group companies.

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

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

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

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

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

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

The same criterion is applied for participative 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 irrevocable fixed interest is agreed in addition to contingent interest, the irrevocable fixed interest is accounted for as finance income on an accrual basis. Transaction costs are allocated to the income statement on a straight-line basis over the life of the participative loan.

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

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

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

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

a) In the case of prior valuation adjustments as a result of increases in value, impairment losses will be recognised against the equity item that includes the valuation adjustments previously made up to the amount of these adjustments and any excess is recognised in the income statement. The impairment loss recognised directly in equity is not reversed.

b) In the case of prior valuation adjustments as a result of reductions in value, when the recoverable amount is subsequently greater than the carrying amount of the investments, the latter is increased up to the limit of the indicated reduction in value, in the line item that included the prior valuation adjustments, and the new amount obtained is then considered the cost of the investment. However, when there is objective evidence of impairment in the value of the investment, the accumulated losses are recognised directly in equity on the income statement.

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

c) Financial assets at fair value through profit or loss

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

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

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

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

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

3.6. Inventories

‘Inventories’ includes the parking spaces available for sale, which 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 2023 and 2022, 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.

Participative 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.

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

Current tax assets and liabilities are measured at the amount expected to be paid to or recovered from the tax authorities, in accordance with 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, in accordance with the balance sheet liability method, based on the temporary differences that arise between the tax bases of the assets and liabilities and their carrying amounts.

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

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

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

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

Pillar Two

On 20 December 2021, the OECD published the Pillar Two Model Rules.

These rules establish a system of supplementary taxation that brings the minimum effective tax rate to 15% in jurisdictions where multinational groups have a presence.

In May 2023, the IASB published an amendment to IAS 12 to clarify the accounting treatment arising from tax laws enacted or substantively enacted to implement Pillar Two. This amendment establishes the following:

- A mandatory temporary exception from the recognition of deferred taxes arising from the implementation of Pillar Two.

- Separate disclosure of the current Supplementary Tax, if any, arising as a result of Pillar Two, once the law is effective.

- For those years where the above law is not yet effective, qualitative and quantitative information must be disclosed to enable users to understand the company's exposure to taxes that may arise from Pillar Two and/or the company's progress in implementing the rules.

At 31 December 2023, the Company applied the mandatory exception to the recognition and disclosure of deferred tax assets and liabilities in relation to Pillar Two. In addition, as the Pillar Two law is not yet effective for the year to which these financial statements refer, the Company has not recognised the corresponding exposure to the current supplementary tax arising from Pillar Two.

3.13. Employee benefits

Termination benefits

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

Bonus plans

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

Share rights remuneration plans

These plans are settled in cash and recognised over the period in which the employee provides service to the Company at fair value at the date on which the requirements for recognition are met.

Subsequently, until the settlement date, the related liability is measured at fair value at the end of each year, and any change in value arising in the year is taken to the income statement.

3.14. Provisions and contingent liabilities

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

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

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

3.15. Revenue recognition

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

Service agreements

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

Turnkey engineering contracts

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

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

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

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

The cash flows from the projects may not be directly related to when the obligations are fulfilled, but rather follow schedules for sending invoices and collecting payment contractually agreed with the customer for each project. These schedules vary for each contract and are generally associated with the fulfilment of the milestones set out in the contract, with key milestones being the delivery of the engineering, receipt of the equipment on site, construction certificates from the customer and final acceptance of the plants. The financial impact of this transaction is, in any case, not significant.

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.

On the contrary, 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.

Derived from 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. However, if the dividends distributed are generated from profits earned before the acquisition date, they are not recognised as income, but rather reduce the carrying amount of the investment.

Interest income

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

3.16. Recognition of the stage of completion of liabilities

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.

In assessing the tasks effectively carried out at the balance sheet date, the different phases of engineering, procurement and construction are taken into account for each project. For engineering, the working hours actually incurred by each engineer on the project to date are considered; for procurement, on the basis of the progress of the costs incurred up to the delivery of materials and equipment; and for construction, a periodic physical measurement of the progress of the work is made, all at cost value. The progress of the project is calculated by taking into account all the costs incurred in accordance with the above criteria out of the total project costs, and the amount of the costs are adjusted depending on the progress of the project.

This measurement method is aligned with the way in which the projects are managed and monitored and provides the best representation of the transfer of goods and services. The risk of contract termination is remote based on the Company’s history.

3.17. Foreign currency transactions

Functional and presentational currency

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

Transactions and balances

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

3.18. Leases

Financial leases

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

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

Operating leases

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

3.19. Group companies and associates

For the purposes of presenting the 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.

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

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

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

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

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

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

3.21. Business combinations

In the case of business combinations arising as a result of the acquisition of shares or equity interests 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).

3.22. Related party transactions

In general, transactions performed between Group companies are initially recognised 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.

3.23. Statement of cash flows

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

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

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

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

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

4. Financial risk management

4.1. Financial risk factors

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

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

a) Market risk

a.1) Exchange rate risk

The Company operates in the international market and, therefore, is exposed to foreign currency risk on the transactions it performs in foreign currencies, particularly the US Dollar (USD) and, to a lesser extent, currencies tied to the USD. There is residual exposure to suppliers operating in other currencies (mainly Japanese yen, Canadian Dollars, Saudi Riyals, Turkish Lires, Malaysian Ringgits, Peruvian Soles, Mexican Pesos, Singaporean Dollars, Polish Złoty, Qatari Riyals, Bahraini Dinars, Omani Riyals and Kuwaiti Dinars). Foreign currency risk arises mainly from future commercial transactions and recognised assets and liabilities.

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

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 2023 the euro had appreciated / depreciated against the US Dollar by a hypothetical 10%, leaving all other variables constant, profit before tax for the year would have been EUR 19,865 thousand higher / lower (2022: EUR 22,063 thousand higher / lower), mainly due to the gains / losses generated on the appreciation / depreciation of positions in US Dollars.

If the euro had appreciated / depreciated against the US Dollar by a hypothetical 10%, equity would have been EUR 66,708 thousand higher / lower in the year ended 31 December 2023 (2022: EUR 27,841 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 occur as long as the variation in the USD compared to the EUR took place within a period of less than 139 days (2022: 115 days), since that is the average maturity at which the hedging transactions are arranged.

(Expressed in thousands of euros)

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

	Thousands of euros	
	2023	**2022**
Saudi Riyal	235,556	120,841
Turkish Lira	14,029	10,829
Peruvian Sol	43,106	89,201
Mexican Peso	49,685	24,620

a.2) Price risk

The Company is exposed to price risk regarding 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).

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 and fair value interest rate risk

The Company endeavours to self-finance its projects, establishing invoicing and collection milestones with customers that cover the payment deadlines undertaken with suppliers. However, the Company has debt instruments to cover its operational requirements, with a mix of fixed and floating rates. As part of the policy of prudence and control of interest rate risk and the impact that interest rate fluctuations may have on the consolidated income statement, there are fixed rate debt instruments amounting to EUR 428,295 thousand (2022: EUR 462,120 thousand).

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

	Thousands of euros					
	2023			**2022**		
	Tied to Euribor	**Other reference rates**	**Total**	**Tied to Euribor**	**Other reference rates**	**Total**
Participative loan (Note 18)	(175,000)	-	(175,000)	(175,000)	-	(175,000)
Variable rate borrowings (Note 18)	(250,853)	-	(250,853)	(339,907)	-	(339,907)
Interest-earning cash and cash equivalents (Note 14)	402,954	242,764	645,718	167,439	307,064	474,503
	(347,468)	**307,064**	**(40,404)**	**(98,582)**	**53,272**	**(45,310)**

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

Based on the sensitivity analyses performed on cash and cash equivalents, the impact on profit of a 25 basis point fluctuation in interest rates would imply, at most, an increase / decrease of EUR 2,042 thousand (2022: EUR 1,980 thousand).

In the case of variable rate borrowings, a 10 basis point fluctuation up or down in the interest rate would have an impact on profit or loss of a decrease/increase of EUR 238 thousand. (2022: EUR 514 thousand).

In short, the Company continues to manage cash flow interest rate risk at a global level, with a solid cash position in Euros and mostly in Dollars, and continues to reduce its overall debt levels, maintaining a balanced percentage of fixed rate debt with respect to variable rate debt, in line with prudent cash management.

b) Credit risk

Credit risk is managed by the Company considering the following groups of financial assets:

- Assets arising from derivative financial instruments (Note 10) and sundry balances, including 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 customers represented 86% of the total recognised under 'Trade receivables' (included under 'Trade and other receivables') at 31 December 2023 (2022: 85%), and are tied to transactions with the above entities. Therefore, the Company considers credit risk to be very low.

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 offer an additional liquidity buffer.

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

(Expressed in thousands of euros)

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

	Thousands of euros	
	2023	**2022**
Non-current bank borrowings (Note 18)*	(679,148)	(794,713)
Cash and cash equivalents (Note 13)	645,718	474,503
Net cash	**(33,430)**	**(320,210)**
Undrawn credit facilities and other loans (Note 18)**	8,248	15,577
Total liquidity reserves	**(25,181)**	**(304,633)**

* This amount does not include the participative loan.

** This amount does not include the unused amount of the limits in the MARF amounting to EUR 177 million and EUR 190 million at the end of 2023 and 2022, respectively.

The two signed syndicated credit facilities, as well as the private placement in Spain, the placement on the German promissory note market, and the placement of MARF bonds on the market underwritten by the Company in force at the date of formulation of these financial statements, with the total amount drawn down standing at EUR 336 million (2022: EUR 452 million), require, among other requirements, that the consolidated net financial debt/EBITDA ratio be less than or equal to 2.5 (syndicated loans)/3 for other financial borrowings).

For 2024, the directors consider that, at the date of formulation of these financial statements, the Company is in a position to comply with the financial ratios included in the clauses of all its finance agreements.

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

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(Expressed in thousands of euros)

The table below shows an analysis of the financial liabilities, 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 balances resulting from applying the amortised cost method (carrying amounts), which basically coincide with the undiscounted expected cash flows. The balances payable within 12 months are equivalent to their carrying amounts, given that the discount effect is not significant.

	Thousands of euros			
	Within one year	**From 1 to 2 years**	**From 2 to 5 years**	**More than 5 years**
At 31 December 2023				
Participative loans (Note 18)	-	-	175,000	-
Borrowings (Note 18)	304,094	276,033	99,021	-
Derivative financial instruments (Note 10)	1,048	-	-	-
Trade and other payables (Note 18)	2,133,016	-	-	-
Total	**2,438,158**	**276,033**	**274,021**	**-**
At 31 December 2022				
Participative loans (Note 18)	-	-	175,000	-
Borrowings (Note 18)	200,914	414,945	118,675	60,179
Derivative financial instruments (Note 10)	21,502	-	-	-
Trade and other payables (Note 18)	2,250,491	-	-	-
Total	**2,472,907**	**414,945**	**293,675**	**60,179**

As the Company expected, business and operating cash flows in 2023 have once again reached pre-pandemic levels, with projects progressing normally and in line with the schedule agreed with customers. In addition, in 2023 the Company certified exchange orders and claims under negotiation and made further progress in implementing plans to improve efficiency and cash flows. In addition, in May 2023 the Company increased share capital by approximately EUR 150 million, in compliance with the requirements to strengthen equity included in the financing obtained through the Fund for Supporting the Solvency of Strategic Companies. Against this backdrop, in which the volume of new project contracts must also be considered, the Company has substantially reduced its debt levels and consolidated an improvement in its financial and equity position.

(Expressed in thousands of euros)

4.2. Capital risk management

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

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

	Thousands of euros	
	2023	**2022**
Borrowings (Note 18)*	(679,148)	(794,713)
Net cash	(33,429)	(320,210)
Equity	**500,580**	**202,248**
% Borrowings / Equity	**136%**	**393%**
% Net cash/Equity	**(7%)**	**(158%)**

* This amount does not include the participative loan

The effect in 2023 taking into consideration the participative loan as part of equity for commercial purposes and the net cash for covenants purposes is as follows:

	Thousands of euros	
	2023	**2022**
Borrowings (Note 18)*	(679,148)	(794,713)
Net cash	(33,429)	(320,210)
Commercial equity	**675,578**	**377,248**
% Borrowings / Commercial Equity	**101%**	**211%**
% Net cash/Equity	**(5%)**	**(85%)**

* This amount does not include the participative loan

(Expressed in thousands of euros)

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 2023 and 2022.

	Thousands of euros			
At 31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial assets at fair value through profit or loss	197	-	-	197
Hedging derivatives (Note 10)	-	25,968	-	25,968
Total assets	**197**	**25,968**	**-**	**26,165**
Liabilities				
Hedging derivatives (Note 10)	-	1,047	-	1,047
Total liabilities	**-**	**1,047**	**-**	**1,047**
At 31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial assets at fair value through profit or loss (Note 9)	197	-	-	197
Hedging derivatives (Note 10)	-	35,603	-	35,603
Total assets	**197**	**35,603**	**-**	**35,800**
Liabilities				
Hedging derivatives (Note 10)	-	21,502	-	21,502
Total liabilities	**-**	**21,502**	**-**	**21,502**

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 2023 or 2022.

Regarding 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 Company uses hedge accounting for the cases described above, foreign currencies and commodities, and performs effectiveness tests and monitors them on a regular basis to prove compliance with this effectiveness and ensure it is correctly carried over to the financial statements.

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

Sustainability risk management is a fundamental tool for Técnicas Reunidas and is integrated into its business model and the Company's general risk prevention system.

In 2023 the Company completed a full double materiality assessment of its ESG risks, focusing on both their impact and probability of occurrence, which will be included in the transactions and identifies the main risks and challenges faced by Técnicas Reunidas from the point of view of sustainability.

This risk assessment has taken into consideration best practices and methodologies at the international level (COSO, WBCSD) and the TCFD recommendations. The ESG risk analysis considered 58 external and internal risks corresponding to the Company's main areas of activity (i.e. HSE, Secretariat of the Board-Sustainability, Human Resources, Procurement and Construction, Energy Transition, Compliance, Insurance and Others), of which 21 risks are environmental, 18 social and 19 relate to governance.

The main pillars of the Company's sustainability model are the Sustainability Policy, approved by the Board of Directors in 2020, and the Sustainability Plan, approved in 2021.

The Company is well positioned overall and consistently demonstrates leadership as regards climate change, diversification of its activities and adaptation to new trends. This enables the Group to adapt to 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.

In particular, this diversification of activities focuses on working with customers to make environmental improvements to their facilities, including natural gas activities, clean fuels, chemical products, low-carbon technology (hydrogen, CO2 sequestration and capture, circular economy and bioproducts) and, therefore, the reduction of greenhouse gas emissions.

Regarding the Group's position in the fight against climate change, this year, within the framework of the Sustainability Plan, TR became a member of SBTi, a global initiative that assesses and validates short-term emission reduction targets and long-term climate neutrality targets, both based on science.

In addition, the Company has achieved SBTi validation of these decarbonisation targets, which include the reduction by 2030 of its scope 1, 2 and 3 emissions by 46.2% compared to the base year 2019 and the Net Zero target for 2040, with specific actions to achieve these targets.

TR is also keenly aware of the potential impact that climate change may have on its business, and it has developed a climate risk and opportunity matrix together with the relevant adaptation plan, transparently reporting its climate change performance through participation in initiatives such as the Carbon Disclosure Project (CDP) in which TR has participated for several years. In 2023, the Company improved its high rating and obtained an A, the highest possible score, in the Climate Change category, therefore placing TR among the group of leading companies worldwide in terms of climate change for CDP. TR therefore stands out positively in the following categories: governance, scope 1, 2 and 3 emissions, emissions reduction initiatives, strategy, scenario planning and analysis, risk management processes, disclosure of risks, and value chain.

Finally, the Company obtained a score of 56/100 (corresponding to the 96th percentile, as the average score for the sector is 24/100) in its participation in the S&P Global Corporate Sustainability Assessment (CSA), placing it among the companies with the best ESG performance in the industry. The CSA is an annual assessment of corporate sustainability practices, including environmental sustainability, based on a methodology that focuses on both industry-specific and financially meaningful sustainability criteria. More than 10,000 companies worldwide are rated using this assessment.

As regards overall Sustainability risk, the Company has an advanced model for environmental risk management, an activity integrated into its strategy and focused on the environmental requirements of all its activities.

The Company develops products, systems and services with the aim of obtaining energy that is more sustainable, affordable and reliable and that meets current environmental requirements. All projects must comply with climate change initiatives focused on reducing CO_2 emissions and improving the waste management system, focusing on waste reduction from a circular economy perspective. To this end, Técnicas Reunidas has implemented methodologies that ensure the monitoring and verification of environmental information in its projects.

The Company is primarily exposed to energy transition risks, in particular 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.

Additionally, the Company is also exposed to physical risks, particularly the geographical location of some customers, which are subject to extreme temperatures (for example, the Middle East or Canada), which can lead to changes in working conditions during the performance of projects.

For its part, the Company developed a circular economy strategy in 2023 within the framework of the Company's Sustainability Policy, having created an internal multidisciplinary group to ensure its implementation in projects and, within its offices, various energy efficiency measures have been developed, such as using smart systems and conducting employee awareness campaigns.

(Expressed in thousands of euros)

5. Intangible assets

The details of and changes in the items included under intangible assets are as follows:

	Thousands of euros			
	Concession arrangement, regulated asset	Patents, licences and trademarks	Computer software	Total
Balance at 01/01/2022				
Cost	74,361	357	2,042	76,760
Accumulated amortisation and impairment	(27,070)	-	(1,120)	(28,190)
Carrying amount	**47,291**	**357**	**922**	**48,570**
Additions	-	-	31	31
Disposals	-	-	(27)	(27)
Amortisation charge	(1,483)		(245)	(1,728)
Derecognition of amortisation	-	-	27	27
Other changes in cost	-	-	6	6
Other changes in amortisation	-	-	(5)	(5)
Balance at 31/12/2022				
Cost	74,361	357	2,052	76,770
Accumulated amortisation and impairment	(28,553)	-	(1,344)	(29,897)
Carrying amount	**45,808**	**357**	**708**	**46,873**
Additions	-	-	29	29
Amortisation charge	(1,468)	-	(183)	(1,651)
Other changes in cost	-	-	(7)	(7)
Other changes in amortisation	-	-	6	6
Balance at 31/12/2023				
Cost	74,361	357	2,074	76,792
Accumulated amortisation and impairment	(30,021)	-	(1,521)	(31,542)
Carrying amount	**44,340**	**357**	**553**	**45,250**

(Expressed in thousands of euros)

Concessions

This heading includes the following public service concession arrangements:

Concession	Year completed	Remuneration	Redemption
Alcobendas sports complex	2062	User charges	At end of concession term
Sports complex, car park and public spaces at the La Viña Shopping Centre in San Sebastián de los Reyes	2063	User charges	Period may be extended up to 60 years upon approval by the Municipal Council
Underground car park at Huercal - Overa (Almeria)	2036	User charges	Subject to successive term extensions.

Concession assets are financed by borrowings amounting to EUR 9,892 thousand (2022: EUR 11,656 thousand).

Operating income from operating these concessions amounted to EUR 5,675 thousand in 2023 (2022: EUR 5,961 thousand).

In 2023 and 2022, no finance costs were capitalised and no impairment losses in addition to those already existing were recognised.

Computer software

'Computer software' includes the title to and the right to use computer programs acquired from third parties.

At 31 December 2023, the value of the fully amortised intangible assets on the balance sheet amounted to EUR 615 thousand (2022: EUR 443 thousand) and related mainly to computer software.

(Expressed in thousands of euros)

6. Property, plant and equipment

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

	Thousands of euros		
	Land and buildings	Plant and other items of property, plant and equipment	Total
Balance at 01/01/2022			
Cost	1,429	25,579	27,008
Accumulated depreciation	(331)	(18,208)	(18,539)
Carrying amount	**1,098**	**7,371**	**8,469**
Additions	-	1,142	1,142
Disposals	-	(369)	(369)
Depreciation charge	(32)	(1,941)	(1,972)
Derecognition of depreciation	-	367	367
Other changes in cost	-	141	141
Other changes in depreciation	-	(146)	(146)
Balance at 31/12/2022			
Cost	1,429	26,492	27,921
Accumulated depreciation	(363)	(19,927)	(20,290)
Carrying amount	**1,066**	**6,564**	**7,631**
Additions	6,645	4,100	10,745
Disposals	(166)	(1,002)	(1,168)
Depreciation charge	(876)	(1,809)	(2,685)
Derecognition of depreciation	63	847	910
Other changes in cost	310	(18)	292
Other changes in depreciation	(40)	4	(36)
Balance at 31/12/2023			
Cost	8,218	29,572	37,790
Accumulated depreciation	(1,216)	(20,885)	(22,101)
Carrying amount	**7,002**	**8,687**	**15,689**

a) Impairment losses

In 2023 and 2022 no impairment losses were recognised or reversed for individual property, plant and equipment.

(Expressed in thousands of euros)

b) Property, plant and equipment abroad

At 31 December 2023, the carrying amount of the assets located abroad, which relate to plant and other items of property, plant and equipment, amounted to EUR 11,549 thousand (2022: EUR 1,202 thousand) and accumulated depreciation totalled EUR 4,536 thousand (2022: EUR 4,233 thousand).

c) Fully depreciated assets

At 31 December 2023, the cost of the fully depreciated items of property, plant and equipment still in use on the balance sheet amounted to EUR 11,136 thousand (2022: EUR 9,104 thousand).

d) Assets under operational leases

'Outside services' in the income statement includes operating lease expenses corresponding to the lease of offices amounting to EUR 10,516 thousand (2022: EUR 10,515 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 category 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 and other		Total	
	2023	2022	2023	2022	2023	2022
Financial assets at amortised cost (Note 9)	-	-	89,230	93,433	89,230	93,433
Financial assets at fair value through profit or loss (Note 9)	197	197	-	-	197	197
Hedging derivatives (Note 10)	-	-	-	1,237	-	1,237
Total	**197**	**197**	**89,230**	**94,670**	**89,427**	**94,867**

(Expressed in thousands of euros)

	Thousands of Euros			
	Current financial assets			
	Derivatives, loans and other		Total	
	2023	2022	2023	2022
Financial assets at amortised cost (Note 9)	2,439,482	2,698,783	2,439,482	2,698,783
Tax receivables	64,805	47,521	64,805	47,521
Hedging derivatives (Note 10)	25,968	34,366	25,968	34,366
Total	**2,530,255**	**2,780,670**	**2,530,255**	**2,780,670**

b) Financial liabilities:

	Thousands of Euros					
	Non-current financial liabilities					
	Bank borrowings		Derivatives, loans and other		Total	
	2023	2022	2023	2022	2023	2022
Financial liabilities at amortised cost or at cost (Note 18)	375,054	593,799	6,444	6,683	381,498	600,482
Total	**375,054**	**593,799**	**6,444**	**6,683**	**381,498**	**600,482**

	Thousands of Euros					
	Current financial liabilities					
	Bank borrowings		Derivatives, loans and other		Total	
	2023	2022	2023	2022	2023	2022
Financial liabilities at amortised cost or at cost (Note 18)	304,094	200,914	2,169,625	2,486,183	2,473,719	2,687,097
Tax payables	-	-	39,024	31,628	39,024	31,628
Hedging derivatives (Note 10)	-	-	1,047	21,502	1,047	21,502
Total	**304,094**	**200,914**	**2,209,696**	**2,539,313**	**2,513,790**	**2,740,227**

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 above lawsuits under 'Non-current provisions'.

(Expressed in thousands of euros)

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

This heading includes the investments in Group companies, jointly controlled entities and associates, the changes in which in the years ended 31 December 2023 and 2022 were as follows:

				Thousands of euros
	1 January 2023	**Additions**	**Disposals**	**31 December 2023**
Investments in Group companies, jointly controlled entities and associates	684,979	53,044	(106,271)	631,752
Unpaid capital	(1,150)	-	1,084	(66)
Impairment of investments	(350,142)	(198,893)	97,477	(451,558)
Total	**333,687**	**(145,849)**	**(7,710)**	**180,128**

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

The additions in 2023 to investments in Group companies, jointly controlled entities and associates relate mainly to the capital increase of TR Duqum Proyect LLC. (EUR 49,680 thousand).

The disposals of investments in Group companies, jointly controlled entities and associates for 2023 relate mainly to the liquidation of the interest in TR Canada INC (EUR 97,576 thousand), and the capital reduction through reimbursement of shareholder contributions of TR Malaysia (EUR 8,686 thousand).

The additions to investments in Group companies, jointly controlled entities and associates for 2022 related mainly to the shareholder contribution to TR Canada INC for EUR 78,928 thousand, to Tecreun República Dominicana, S.R.L. for EUR 8,218 thousand, and to the capital increase in TR Saudia for Services & Contracting Co. Limited in the amount of EUR 144,120 thousand. The additions to the above interests were offset by loans that the subsidiaries had with the Company.

The derecognition in 2022 was due to the capital reduction in TSGI Muhendislik Insaat LTD. Sirketi for EUR 44,735 thousand, and to the sale of Ibérica del Espacio for EUR 4,791 thousand. The sale of Ibérica de Espacio,S.A. resulted in a loss of EUR 1,179 thousand, which was recognised in the income statement for that year under ‘Impairment and gains or losses on disposal of financial instruments’.

The additions to ‘Impairment of investments’ are mainly due to the provisions recognised of EUR 144,119 thousand and EUR 49,680 thousand for the interest in TR Saudia and TR Duqum Project LLC, respectively.

The provision in TR Canada amounting to EUR 96,958 thousand was also derecognised as a result of the liquidation of that company.

In 2022, a provision of EUR 78,928 thousand was recognised for the interest in TR Canada INC, along with a provision of EUR 6,200 thousand for the interest in Tecreun República Dominicana, S.R.L. and EUR 3,729 thousand for the interest in Técnicas Reunidas Ecología, S.A.

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

In 2023, some of the initiatives of the strategic plan were implemented, and agreements were reached with third parties to move forward on the projects in Saudi Arabia, mainly the signing of a MOU in 2023 with Sinopec to share construction activities to be carried out by the latter, which implies a reduction in construction activity greater than that estimated in the previous strategic plans. This has affected the projection of future earnings, which are expected to be quite positive and with good returns, but less in terms of volume of sales than originally planned. This has led to an increase in the impairment losses on the ownership interest in this subsidiary.

In 2023 the dividends received on interests in Group companies, jointly controlled entities and associates totalled EUR 79,522 thousand (2022: EUR 82,129 thousand) and are recognised as finance income in the income statement (Note 22). These dividends were received both in the form of offsetting the Company's debts to the subsidiaries and in cash.

The detail of the investments in Group companies, jointly controlled entities and associates at 31 December 2023 and 2022 is as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR 2023
(Expressed in thousands of euros)

Investments in Group companies, jointly controlled entities and associates in 2023

Company	Registered office	Business activity	Direct interest	Indirect interest	Carrying amount	Equity			Dividends
						Share capital	**Reserves**	**Profit/(Loss)**	
Initec Plantas Industriales. S.A	MADRID	ENGINEERING SERVICES	100.00%	-	124,613	6,600	*3277*	9,928	-
Initec Infraestructuras. S.A	MADRID	ENGINEERING SERVICES	100.00%	-	6,116	1,800	3,966	525	-
Técnicas Reunidas Gulf L.T.D.	YEDAH	ENGINEERING SERVICES	100.00%	-	29,589	550	29,080	- 41	-
TR Global for Engineering	SAUDI ARABIA	ENGINEERING SERVICES	100.00%	-	1,418	1,418	- 277	- 1,696	-
TR Saudi Arabia LLC	JEDDAH	ENGINEERING SERVICES	50.00%	50.00%	-	479	- 559	-	-
TR Tec Ltda	BOLMA	ENGINEERING SERVICES	12.40%	87.60%	-	2	- 3,330	- 160	-
TR Alberta	CANADA	ENGINEERING SERVICES	50.00%	50.00%	17	34	12,176	- 7,400	-
TR Canadá E&C INC	CANADA	ENGINEERING SERVICES	15.00%	85.00%	5	36	1,926	- 587	-
TR Saudia for Services and Contractinq Co. Limited	AL-KHOBAR	ENGINEERING SERVICES	97.00%	3.00%	-	293,340	- 368,431	- 118,706	-
TR Engineers India Private LTD	INDIA	ENGINEERING SERVICES	100.00%	-	10	7	3,364	4,404	-
TR México Ingeniería y Construcción S de RL de CV	MEXICO D.F.	ENGINEERING SERVICES	75.00%	25.00%	4	6	13,934	6,114	-
TR Perú Ingeniería y Construcción	PERU	ENGINEERING SERVICES	100.00%	-	9	9	173	16	-
TR Servicios S.R.L. de C.V.	MEXICO D.F.	ENGINEERING SERVICES	75.00%	25.00%	4	6	353	589	-
Técnicas Reunidas USA L.L.C.	USA	ENGINEERING SERVICES	100.00%	-	-	27	- 8,950	199	-
TR Sagemis Italia S.R.L.	ITALY	ENGINEERING SERVICES	100.00%	-	198	10	195	- 7	-
TR Italy	ITALY	ENGINEERING SERVICES	100.00%	-	10	10	581	396	-
TR Duqum Proyect LLC	OMAN	ENGINEERING SERVICES	65.00%	-	-	76,986	- 17,772	- 94,114	-
TR LLC DUQUM	OMAN	ENGINEERING SERVICES	100.00%	-	288	575	- 5,133	13,783	29,547
TR PROJELER INSAAT	TURKEY	ENGINEERING SERVICES	100.00%	-	16	21	- 31	- 4	-
TR Construcción y Montaje S.A.	MADRID	REAL ESTATE DEVELOPMENT	100.00%	-	150	332	1,420	1	-
Técnicas Reunidas Metalúrgicas, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	60	120	1,702	- 9	-
Termotécnica. S.A.	MADRID	WHOLESALE MACHINERY	40.00%	60.00%	300	781	1,136	131	-
Técnicas Reunidas Ecología, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	1,105	120	1,715	- 730	-
Técnicas Reunidas Internacional, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	120	120	985	- 393	-
Española de Investigación y Desarrollo S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	625	90	377	157	-
TR Proyectos Internacionales, S.A.	MADRID	DEVELOPMENT AND CONTRACTING	100.00%	-	1,503	1,503	- 2,832	5,176	5,000
Deportes Valdavia 2017 SL	SPAIN	ENGINEERING SERVICES	100.00%	-	31	3	30	- 2	-
RecicAguilar. S.A.	MADRID	ENGINEERING SERVICES	80.00%	-	-	60	- 162	0	-
Heymo Ingeniería, S.A	MADRID	ENGINEERING SERVICES	100.00%	-	757	903	*5,202*	- 2211	-
Layar. S.A.	MADRID	COMPANY MANAGEMENT	100.00%	-	2,215	1,085	1,117	13	-
Técnicas Reunidas Netherlands B.V	THE HAGUE	ENGINEERING SERVICES	100.00%	-	-	18	- 509	- 198	-
Single project companies with positive equity					8,319	14,545	51,943	4,132	44,976
Single project companies with negative equity					2	4,098	- 38,973	- 62,316	-
Other					156				
Total investments in Group companies					**177,643**	**405,695**	**- 312,304**	**- 243,012**	**79,523**
Master S.A de Ingeniería y Aquitectura	BARCELONA	ENGINEERING SERVICES	40.00%	-	-	152	- 5,370	- 275	
Proyectos Ebramex, S. de R.L. de C.V.	MEXICO D.F.	ENGINEERING SERVICES	33.33%	-	-	21,953	- 33,976	-	
Minatrico, S. de R.L. de C.V.	MEXICO D.F.	ENGINEERING SERVICES	33.33%	-	2,486	41,214	- 28,825	-	
Total investments in associates and jointly controlled entities					**2,486**	**63,319**	**- 68,171**	**- 275**	
Total					**180,128**	**469,014**	**- 380,475**	**- 243,287**	

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

(Expressed in thousands of euros)

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

						Equity			
Company	**Registered office**	**Business activity**	**Direct interest**	**Indirect interest**	**Carrying amount**	**Share capital**	**Reserves**	**Profit/(Loss)**	**Dividends (Note 22)**
Técnicas Reunidas Internacional, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	120	120	1,029	(44)	-
Termotécnica, S.A.	SPAIN	WHOLESALE MACHINERY	40.00%	60.00%	300	781	1,066	272	-
TR Construcción y Montaje S.A.	SPAIN	REAL ESTATE DEVELOPMENT	100.00%	-	150	332	1,355	65	-
Técnicas Reunidas Ecología, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	982	120	884	(669)	-
Técnicas Reunidas Metalúrgicas, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	60	120	1,595	102	-
Española de Investigación y Desarrollo S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	468	90	814	(437)	-
TR Proyectos Internacionales, S.A.	SPAIN	DEVELOPMENT AND CONTRACTING	100.00%	-	421	1,503	1,624	(537)	-
Layar, S.A.	SPAIN	COMPANY MANAGEMENT	100.00%	-	2,202	1,085	1,141	(24)	-
Initec Plantas Industriales, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	124,613	6,600	(48,105)	50,588	50,000
Initec Infraestructuras, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	5,766	1,800	4,298	(332)	-
Técnicas Reunidas Gulf L.T.D.	SAUDI ARABIA	ENGINEERING SERVICES	100.00%	-	30,376	550	29,986	(41)	-
Recicl Aguilar, S.A.	SPAIN	ENGINEERING SERVICES	80.00%	-	-	60	(162)	-	-
TR Hungary Dufi CCGT Kft	HUNGARY	ENGINEERING SERVICES	85.00%	15.00%	8	10	45	(16)	-
TR Tec Ltda	BOLIVIA	ENGINEERING SERVICES	12.40%	87.60%	-	2	(3,299)	(133)	-
TR Canada INC	CANADA	ENGINEERING SERVICES	3.96%	96.04%	-	133,937	(135,755)	1,225	-
TR Engineers India Private LTD	INDIA	ENGINEERING SERVICES	100.00%	-	10	7	2,435	1,202	-
TR Saudi Arabia LLC	SAUDI ARABIA	ENGINEERING SERVICES	50.00%	50.00%	-	479	(562)	-	-
TR Saudia for Services and Contracting Co Ltd**	SAUDI ARABIA	ENGINEERING SERVICES	97.00%	3.00%	144,120	293,344	(376,969)	(22,368)	-
Heymo Ingeniería, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	757	903	4,338	864	-
TR Servicios S.R.L. de C.V.	MEXICO	ENGINEERING SERVICES	75.00%	25.00%	4	6	368	(65)	-
Técnicas Reunidas USA L.L.C.**	USA	ENGINEERING SERVICES	100.00%	-	-	27	3,716	(214)	-
TR Sagemis Italia S.R.L.	ITALY	ENGINEERING SERVICES	100.00%	-	205	10	190	5	-
TR Canadá E&C INC	CANADA	ENGINEERING SERVICES	15.00%	85.00%	5	36	2,630	(678)	-
TR Perú Ingeniería y Construcción	PERU	ENGINEERING SERVICES	100.00%	-	9	9	245	(71)	596
Deportes Valdavia 2017 SL	SPAIN	ENGINEERING SERVICES	100.00%	-	5	3	4	(2)	-
TR México Ingeniería y Construcción	MEXICO	ENGINEERING SERVICES	75.00%	25.00%	4	6	10,548	1,829	-
TR Italy	ITALY	ENGINEERING SERVICES	100.00%	-	10	10	63	518	-
TR Duqum Proyect LLC	OMAN	ENGINEERING SERVICES	65.00%	-	-	554	63,812	(83,224)	-
TR Colombia	COLOMBIA	ENGINEERING SERVICES	100.00%		6	6	1,833	(801)	-
TR Alberta	CANADA	ENGINEERING SERVICES	50.00%	50.00%	17	34	4,977	7,346	-
TR LLC Duqum	OMAN	ENGINEERING SERVICES	100.00%		288	575	1,223	28,911	-
TR Projeler	TURKEY	ENGINEERING SERVICES	100.00%		16	16	(23)	(2)	-
Powertecno Energía Mexicana	MEXICO	ENGINEERING SERVICES	50.00%	-	-	4	255	16,348	
TR Global for Engineeing	SAUDI ARABIA	ENGINEERING SERVICES	100.00%		1,418	1,418	(55)	(223)	-
Single-project companies with positive equity *		ENGINEERING SERVICES			17,077	14,545	112,202	(5,215)	31,510
Single project companies with an equity default *		ENGINEERING SERVICES			-	3,552	(95,117)	(21,748)	-
Other					161				23
Total investments in Group companies					**329,579**				
Master S.A. de Ingeniería y Arquitectura	SPAIN	ENGINEERING SERVICES	40.00%	-	-	152	(5,370)	(275)	-
Proyectos Ebramex, S. de R.L. de C.V.	MEXICO	ENGINEERING SERVICES	33.33%	-	-	21,953	(33,976)	-	-
Minatrico, S. de R.L. de C.V.	MEXICO	ENGINEERING SERVICES	33.33%	-	4,108	41,214	(30,050)	-	-
Total investments in associates and jointly controlled entities					**4,108**				
Total					**333,687**				

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

(Expressed in thousands of euros)

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

9. Financial assets at amortised cost

	Thousands of euros	
	2023	**2022**
Trade receivables for sales and services (a)	1,579,574	1,727,918
Trade receivables from Group companies and associates (b)	151,161	355,860
Loans to Group companies and associates (c)	629,352	532,290
Sundry accounts receivable	13,675	7,537
Receivable from Group companies	84,229	97,921
Staff	471	71
Provisions for impairment	(29,385)	(34,272)
	2,429,077	**2,687,325**

a) Trade receivables for sales and services

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

At 31 December 2023, ‘Trade receivables’ included EUR 1,384,478 thousand relating to amounts to be billed for work performed (2022: EUR 1,418,619 thousand), which is calculated in accordance with the criteria established in Note 3.14.

‘Completed work yet to be billed’ includes the non-contentious claims expected to be collected from clients 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, ongoing change orders with clients for changes in the scope or modifications not included in the original contract were also recognised under ‘Completed work yet to be billed’ in accordance with that indicated in Note 3.14.

The claims materialisation rate remains above 100% of the amounts recognised by the Company.

At 31 December 2023, the prepayments recognised amounted to EUR 243,841 thousand (2022: EUR 557,644 thousand). In 2023, additions were recognised for EUR 55,587 thousand, with EUR 353,313 thousand in derecognitions due to certification and closure of projects.

Regarding the EUR 557,644 thousand recognised as prepayments for claims and change orders at the end of 2022, EUR 188,288 thousand were still in the process of being negotiated as of the date of formulation of these financial statements.

At 31 December 2023, the total amount requested for change orders amounted to EUR 136,811 thousand.

The amount requested for claims totalled EUR 480,754 thousand.

The amount of receivables due at 31 December 2023 was EUR 60,809 thousand (2022: EUR 124,985 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:

(Expressed in thousands of euros)

	Thousands of euros	
	2023	**2022**
Less than 3 months	13,459	59,450
Between 3 and 6 months	5,918	26,474
More than 6 months	41,432	39,061
Total	**60,809**	**124,985**

As of the date of formulation, EUR 53.4 million of the debt outstanding as of 31 December 2023 had been collected, of which EUR 3.2 million corresponds to overdue debt.

At 31 December 2023, trade receivables amounted to EUR 31,424 thousand (2022: EUR 90,713 thousand), which were past due but not impaired. These receivables relate to a number of independent customers for whom there is no recent history of default.

The Company reduced the impairment loss on the value of its trade receivables in the year ended 31 December 2023 by EUR 4,887 thousand (2022: EUR 8,875 thousand).

The changes in provisions for impairment losses on financial assets at amortised cost are as follows:

	Thousands of euros	
	2023	**2022**
Opening balance	**34,272**	**25,397**
Period provisions	3,962	8,875
Amounts used/Reclassifications	(8,849)	-
Ending balance	**29,385**	**34,272**

b) Trade receivables from Group companies and associates

	Thousands of euros	
	2023	**2022**
Initec Plantas Industriales, S.A.U.	53,018	224,853
TR DUQUM Proyect L.L.C.	16,847	6,359
TR De Construcao Unip. LDA	20,296	20,272
TTSJV BAHREIN	328	7,701
Initec Infraestructuras, S.A.U.	51	780
Técnicas Reunidas UK	27,651	27,780
Powertecno	5,007	22,235
Técnicas Reunidas Ecología, S.A.	155	464
TR Saudia for Services and Contracting Co. Limited	5,700	5,404
Heymo Ingeniería, S.A.	3,830	4,639
Técnicas Reunidas LLC DUQM	16,847	15,858
Other Group companies, associates and joint ventures	1,431	19,515
Total	**151,161**	**355,860**

(Expressed in thousands of euros)

c) Loans to Group companies and associates

	Thousands of euros					
	Other loans		**Tax receivables**		**Total**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Initec Plantas Industriales, S.A.U.	181,489	133,931	(51,217)	50,024	**130,272**	**183,955**
TR Saudia for Services and Contracting Co. Limited	288,405	190,687	-	-	**288,405**	**190,687**
TR De Construcao Unip. LDA	43,057	40,895	-	-	**43,057**	**40,895**
TR Colombia	19,264	-	-	-	**19,264**	**-**
TR Canada INC	7,717	-	-	-	**7,717**	**-**
Técnicas Reunidas UK	89,436	77,859	-	-	**89,436**	**77,859**
Other Group companies, associates and joint ventures	44,522	30,754	6,679	8,140	**51,201**	**38,894**
Total	**673,890**	**474,125**	**(44,538)**	**58,164**	**629,352**	**532,290**

At 31 December 2023, loans to Group companies included EUR (44,538) thousand (2022: EUR 58,164 thousand) related to the balances of income tax payable/(refundable) 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.

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

The average interest rate on loans to venturers in UTEs and joint ventures is the market rate of Euribor +2% and other benchmarks +2% (2022: 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	
	2023	**2022**
Euro	1,059,805	1,059,502
USD	893,485	1,157,782
KWD	198,783	289,251
Other currencies	277,004	180,790
	2,429,077	**2,687,325**

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 is 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 2023 and 2022 is as follows:

	Thousands of euros			
	2023		**2022**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign currency forward contracts - cash flow hedges	25,034	1,027	35,603	21,481
Commodity forward contracts	934	20	-	21
Total	**25,968**	**1,047**	**35,603**	**21,502**
Less: non-current portion:				
Foreign currency forward contracts - cash flow hedges	-	-	1,237	-
Commodity forward contracts	-	-	-	-
Non-current portion	**-**	**-**	**1,237**	**-**
Current portion	**25,968**	**1,047**	**34,366**	**21,502**

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 designated 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 2023 and 2022 is as follows:

	Thousands of euros						
Type of instrument	**Fair value 2023**	**Currency**	**2024**	**2025**	**2026**	**2027**	**Total**
Foreign currency forward contracts (assets)							
US Dollar / Euro	22,813	USD	898,615	-	-	-	**898,615**
US Dollar/SGD	267	USD	9,217	-	-	-	**9,217**
EUR/JPY	21	EUR	677	-	-	-	**677**
PLN/EUR	1,421	EUR	16,438	-	-	-	**16,438**
USD/MXN	512	USD	16,450	-	-	-	**16,450**
RAW MATERIALS	934						
Assets	**25,968**						
Foreign currency forward contracts (liabilities)							
US Dollar / Euro	1,027	USD	17,540	-	-	-	**17,540**
Commodities	**20**						
Liabilities	**1,047**						
Net balances	**24,921**						

(Expressed in thousands of euros)

Type of instrument	Thousands of euros							
	Fair value 2022	**Currency**	**2023**	**2024**	**2025**	**2026**	**Total**
Foreign currency forward contracts (assets)							
USD/EUR	33,712	USD	495,705	14,400	-		510,105
USD/SGD	417	USD	14,280	-	-		14,280
CAD/EUR	261	CAD	5,000	-	-		5,000
EUR/JPY	280	EUR	6,816	-	-		6,816
EUR/PLN	933	EUR	15,798	-	-		15,798
Assets	**35,603**						
Foreign currency forward contracts							
USD/EUR	20,414	USD	354,950	-	-		354,950
CAD/EUR	261	CAD	5,000	-	-		5,000
EUR/JPY	196	EUR	2,331	-	-		2,331
EUR/PLN	610	EUR	8,963	-	-		8,963
Commodity forward contracts	21						
Liabilities	**21,502**						
Net balances	**14,102**						

The detail of the maturities by year of the fair values of the contracts in force at 31 December 2023 and 2022 is as follows:

	Thousands of euros				
	2023	**2024**	**2025**	**2026**	**Total fair value**
Total Assets 2023	-	25,968	-	-	25,968
Total Liabilities 2023	-	1,047	-	-	1,047
Total Assets 2022	34,366	1,237	-	-	35,603
Total Liabilities 2022	21,502	-	-	-	21,502

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 2023 and 2022, no ineffectiveness worthy of mention arose as a result of foreign currency hedges, which is recognised in the income statement.

(Expressed in thousands of euros)

11. Inventories

This heading includes the following items and amounts:

	Thousands of euros	
	2023	**2022**
Construction projects in progress and finished projects	6,536	6,752
	6,536	**6,752**

'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.

12. Advances to suppliers

This heading includes a breakdown of advances to suppliers.

	Thousands of euros	
	2023	**2022**
Group	10,487	9,959
Non-Group	63,697	22,341
Advances to suppliers	**74,184**	**32,300**

13. Cash and cash equivalents

The detail of the balance of this heading at 31 December 2023 and 2022 is as follows:

	Thousands of euros	
	2023	**2022**
Cash	341,826	308,838
Cash equivalents	303,892	165,665
	645,718	**474,503**

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 2023, the effective interest rate on short-term deposits with credit institutions was 3.70% for deposits in euros (2022: 0%) and 5.15% for USD deposits (2022: 1.35%) and the average maturity of these deposits is 15 days (2022: 7 days

In addition, the Company held significant balances during the year in Qatari Riyals (QAR) at 5.85%, Kuwaiti Dinars (KWD) at 4.25%, Omani Riyals (OMR) at 6% and Peruvian Soles (PEN) at 6.5%.

Of the total balance of cash and cash equivalents at 31 December 2023, EUR 481,601 thousand (2022: EUR 340,628 thousand) arose from the inclusion of the joint ventures and unincorporated temporary joint ventures in which the Company holds interests.

(Expressed in thousands of euros)

There were no cash or cash equivalents with restricted availability at 31 December 2023 or at 31 December 2022, however, the cash from the joint arrangements with other partners is allocated in full to the project subject to such joint venture or UTE.

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

14. Capital and share premium

The detail of the share capital and share premium at 31 December 2023 and 2022 is as follows:

	Thousands of euros			
	Share capital	Share premium	Treasury shares	Total
Balance at 01 January 2022	**5,590**	**8,691**	**(73,269)**	**(58,988)**
Other changes	-	-	360	**360**
Balance at 31 December 2022	**5,590**	**8,691**	**(72,909)**	**(58,628)**
Capital increase	2,440	147,652	-	**150,092**
Other changes	-	-	(924)	**(924)**
Balance at 31 December 2023	**8,030**	**156,343**	**(73,833)**	**90,540**

a) Share capital

On 5 May 2023, the capital increase carried out by the Company, consisting of the issue of 24,405,265 new shares of EUR 0.10 par value each, plus a share premium of EUR 6.05 per share, was registered with the Commercial Registry.

A 31 December 2023, the total authorised number of ordinary shares was 80,301,265 shares (55,896,000 shares at 31 December 2022), 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.

(Expressed in thousands of euros)

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

	2023	2022
Shareholder	**% ownership interest***	**% ownership interest**
Aragonesas Promoción de Obras y Construcciones, S.L.U.	5.17%	5.10%
Araltec Corporación, S.L.U.	32.39%	31.99%
Franklin Templeton Investment Management Ltd	-	3.00%
Francisco García Paramés	5.26%	5.15%
Álvaro Guzmán de Lázaro Mateos	5.97%	5.04%
Ariel Investments. L.L.C.	-	3.01%
Cobas Selección F.I.	-	3.00%
Other shareholders (including free float)	48.45%	39.75%
Treasury shares	2.76%	3.96%
TOTAL	**100.00%**	**100.00%**

** Ownership interest taken from the Company's shareholder register. These percentages do not coincide with those available on the website of the Spanish National Securities Market Commission for the Company since some of the significant shareholders did not need to update their shareholding because they have not exceeded any of the notification thresholds set out in the applicable regulations.*

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.

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 in Técnicas Reunidas, S.A. through Araltec Corporación, S.L.U. and Aragonesas Promoción de Obras y Construcciones, S.L.U., which after the capital increase stood at 37.63%.

c) Share premium

This reserve is unrestricted.

d) Treasury shares

The changes in 'Treasury shares' in 2023 and 2022 were as follows:

	2023		2022	
	Number of treasury shares	**Thousands of euros**	**Number of treasury shares**	**Thousands of euros**
At beginning of year	2,213,972	72,909	2,250,434	73,269
Increases/purchases	3,651,826	34,215	4,464,816	34,205
Decreases/sales	(3,646,164)	(33,291)	(4,501,278)	(34,565)
At end of year	**2,219,634**	**73,833**	**2,213,972**	**72,909**

At 31 December 2023, treasury shares represented 2.76% of the Company's share capital (2022: 3.96%), and totalled 2,219,634 shares (2022: 2,213,972 shares), with a weighted average price of EUR 33.26 per share (2022: EUR 32.93 per share).

(Expressed in thousands of euros)

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

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

15. Reserves

The detail of reserves at 31 December 2023 and 2022 is as follows:

	Thousands of euros	
	2023	**2022**
Legal reserve	1,137	1,137
Capitalisation reserve	-	3,056
Other reserves	251,188	249,959
	252,325	**254,152**

Legal Reserve

At 31 December 2023, the legal reserve had not yet reached the legally required minimum. This reserve may not be distributed to shareholders and may only be used to offset losses if no other reserves are available for this purpose. Under certain conditions, it may also be used to increase share capital.

Capitalisation Reserve

Funds are allocated to the Capitalisation Reserve in accordance with section 25 of Spanish Law 27/2014 on Corporation Tax (*Ley 27/2014 del Impuesto sobre Sociedades*). This reserve is restricted for a period of five years in accordance with the terms established by this section.

In 2023, this reserve was reclassified to 'Other reserves' since the period required to maintain it as a restricted reserve has elapsed.

Other reserves

This reserve is unrestricted.

(Expressed in thousands of euros)

16. Distribution of profit

Proposed distribution of profit

The proposed distribution of the profit for 2023 to be submitted at the Annual General Meeting, and the approved distribution of profit for 2022, is as follows:

	Thousands of euros	
	2023	**2022**
Basis of allocation		
Profit/(loss)	139,067	3,063
	139,067	**3,063**
Allocation		
Legal reserve	469	-
Other reserves	138,598	3,063
	139,067	**3,063**

The Company's Board of Directors has not approved the distribution of interim dividends in 2023 or 2022.

17. Translation differences

The breakdown, by permanent establishment, of the cumulative translation differences at the end of 2023 and 2022 is as follows:

	Thousands of euros	
	2023	**2022**
Abu Dhabi Branch	2,743	(1,554)
Algeria Branch	(4,884)	(4,827)
Australia Branch	(2,284)	(2,434)
Ankara Branch	-	832
Poland Branch	3,755	2,740
Kuwait Branch	5,398	11,230
Other	528	1,620
	5,256	**7,607**

(Expressed in thousands of euros)

18. Financial liabilities

Financial liabilities at amortised cost

The liabilities at amortised cost include:

	Thousands of euros	
	2023	**2022**
Non-current		
Participative loans	175,000	175,000
Bank borrowings (a)	375,054	593,799
Other financial liabilities	6,444	6,683
Total	**556,498**	**775,482**
Current		
Bank borrowings (a)	304,094	200,914
Other financial liabilities	1,048	1,010
Accounts payable to related parties (b)	65,044	259,013
Other accounts payable to public authorities	39,024	31,628
Trade and other payables (c)	2,093,992	2,218,863
Total	**2,503,202**	**2,711,428**

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

(Expressed in thousands of euros)

a) Bank borrowings

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

	Thousands of euros	
	2023	**2022**
Non-current		
Participative loans	175,000	175,000
Loans/credit facilities	367,184	534,614
Obligations	-	49,335
Mortgage loan	7,870	9,850
Total non-current borrowings	**550,054**	**768,799**
Current		
Loans/credit facilities	185,562	150,096
Promissory notes/Bonds	100,554	41,517
Mortgage loan	2,022	1,806
Interest on debt	15,956	7,495
Total current borrowings	**304,094**	**200,914**
Total borrowings	**854,148**	**969,713**

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 in the amount of EUR 9,892 thousand (2022: EUR 11,656 thousand) were taken out as collateral for concession assets (Note 5), which are recognised under 'Intangible assets'.

The changes in the borrowings in 2023 and 2022 were as follows:

	Thousands of euros	
	2023	**2022**
Beginning balance	**969,713**	**731,788**
Drawdowns	277,175	461,957
Returns	(401,200)	(230,600)
Accrued interest	50,443	33,933
Interest paid	(41,983)	(27,365)
Ending balance	**854,148**	**969,713**

(Expressed in thousands of euros)

At 31 December 2023, total borrowings included EUR 428,295 thousand at a fixed rate (2022: EUR 462,120 thousand) as detailed below:

	2023		2022	
Item	Thousands of euros	Rate	Thousands of euros	Rate
MARF promissory notes	51,500	5.6%-6.2%	34,300	3.10-4.50%
Fixed-rate loans	50,255	1.29%-5%	73,496	1.29%-5%
Syndicated ICO loan	55,740	2.45%	83,524	2.45%
MARF bonds	49,800	2.75%	49,800	2.75%
Private placement	56,000	3.25%	56,000	3.25%
Ordinary Sepi	165,000	2.00%	165,000	2.00%
	428,295		**462,120**	

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

	2023		2022	
	EUR	USD	EUR	USD
Variable rates (spread)	2.08%	-	2.19%	-

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

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

The detail of the maturities by year of the contracts in force at 31 December 2023 and 2022 is as follows:

	Thousands of euros				
	2023	2024	2025	2026 and subsequent years	Total
31 December 2023	-	303,494	320,687	229,967	**854,148**
31 December 2022	200,914	270,306	497,793	-	**969,013**

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

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

	Thousands of euros	
	2023	2022
- maturing within one year	34	2,588
- maturing in more than one year	8,214	12,988
	8,248	**15,576**

At 31 December 2023, the ICO and CESCE syndicated loans signed in June 2020 amounted to EUR 191,147 thousand, with EUR 116 million of the ICO and CESCE loans having been repaid in 2023 in accordance with the established schedule. This financing requires a consolidated net financial debt/EBITDA ratio that is less than or equal to 2.5. The Company continuously reviews compliance with these financial ratios.

In addition, these loan agreements contain the following limitations on the distribution of profits for the years 2023-2024:

- 40% of consolidated net profit for 2023 and
- 50% of consolidated net profit for 2024.

In 2023, the SSD was renewed for EUR 40 million until February 2028.

In addition, in 2023 the Company renewed the short-term promissory notes programme in the MARF for EUR 175 million. At 31 December 2023, the balance amounted to EUR 47,500 thousand (2022: EUR 34,300 thousand). The average interest rate is 6.01% (2022: 3.85%).

The bond programme in the MARF was also renewed for EUR 100 million. At 31 December 2023, the balance amounted to EUR 49,800 thousand (2022: EUR 49,800 thousand). The bonds issued in the MARF have an interest rate of 2.75% and mature in December 2024.

The long-term private debt placement agreements and the German promissory note financing in force at 31 December 2023 require that the consolidated net financial debt/EBITDA ratio be less than or equal to 3.

The Company achieved the financial ratio (consolidated net financial debt/EBITDA of less than or equal to 2.5/3) at 31 December 2023.

For 2024, the directors consider that, at the date of formulation of these financial statements, the Company is in position to comply with the financial ratios included in the clauses of all its finance agreements.

On 24 February 2022, the Company received the disbursement of EUR 340 million under the Fund for Supporting the Solvency of Strategic Companies (“FASEE”)

This aid took the form of a participative 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 participative 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. The first 20% of the ordinary loan was repaid on 22 February 2024.

In 2023, the participative loan accrued interest at an annual rate tied to IBOR +350 bps (IBOR +250bps in 2022). This financing also includes a variable component linked to the Company's business performance and the achievement of pre-tax profits. The variable amount accrued in 2023 amounted to EUR 1,517 thousand. No variable component linked to the above financing was accrued in 2022.

The terms of the financing received — which if breached could result in early maturity — included certain obligations regarding the use of the financing and compliance with the viability plan submitted, the adoption of digitalisation and sustainability measures, and the obligation to strengthen the Company’s assets before 30 June 2023, in line with the viability plan and the policy set by the Company’s directors, and the fact that there can be no change of control in 2023. The required obligations were met in 2023.

During the term of these loans, the Company has the obligation not to distribute dividends. The Company’s directors consider that, at the date of formulation of these consolidated financial statements, there has been no non-compliance that could give rise to early maturity.

(Expressed in thousands of euros)

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

b) **Accounts payable to related parties**

	Thousands of euros	
	2023	**2022**
Group Companies	64,867	258,947
Associates	177	66
	65,044	**259,013**

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

	Thousands of euros					
	Other Loans		Tax effect		Total	
	2023	2022	2023	2022	2023	2022
Initec Plantas Industriales, S.A.U.	-	72,861	-	-	-	72,861
Initec Infraestructuras, S.A.U.	-	-	1,370	5,119	1,370	5,119
Técnicas reunidas Gulf Co	28,952	30,262	-	-	28,952	30,262
TR Alberta INC	7,300	14,175	-	-	7,300	14,175
TR Talara S.A.C.	3,046	84,792	-	-	3,046	84,792
TR LLC Duqum.	-	18,753	-	-	-	18,753
Técnicas Reunidas Insaat	7,315	-	-	-	7,315	-
Other Group companies, associates and UTEs	12,594	29,573	4,467	3,477	17,061	33,050
Total	**59,207**	**250,417**	**5,837**	**8,596**	**65,044**	**259,013**

In 2023, the loans with Group companies carried an average interest rate of Euribor 2% and other benchmarks 2% (2022: Euribor +2%, other benchmarks +2%).

(Expressed in thousands of euros)

c) Trade and other payables

	Thousands of euros	
	2023	**2022**
Payable to suppliers - invoices yet to be certified	1,160,113	1,097,048
Payables to suppliers	407,494	422,377
Sundry accounts payable	442	-
Payable to suppliers - Group companies and associates	166,565	307,086
Supplier retainings	80,860	114,576
Staff costs (remuneration payable)	7,765	6,279
Customer advances	270,753	271,497
	2,093,992	**2,218,863**

The amounts included under 'Payable to suppliers - invoices yet to be certified' relate to the recognition of costs incurred in accordance with the degree of progress of the projects that have not yet been invoiced by the suppliers. The average age may in some cases exceed the short term, subject to the back-to-back clauses that companies have both in terms of achieving contract milestones and in claims compensation processes whose terms may exceed one calendar year.

There is 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	
	2023	**2022**
Initec Plantas Industriales, S.A.U.	40,799	165,528
Initec Infraestructuras, S.A.U.	2,406	3,669
Técnicas Reunidas Internacional, S.A.U.	568	533
Técnicas Reunidas UK	69	72
TR Ecología S.A.	3,723	3,836
TR Saudia for Services and Contracting Co. Limited	83,174	111,160
TR México Ingeniería y Construcción	11,461	6,703
TR Colombia	7,158	-
Other	17,207	15,585
	166,565	**307,086**

(Expressed in thousands of euros)

The carrying amount of trade payables by currency is as follows:

	Thousands of euros	
	2023	**2022**
Euro	601,261	597,497
US Dollar	844,612	832,960
Other currencies	121,734	96,265
	1,567,607	**1,526,722**

Average period of payment to suppliers

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

	Thousands of euros	
	2023	**2022**
Average period of payment to suppliers	99	102
Ratio of transactions paid	92	96
Ratio of transactions payable	118	119

	Thousands of euros	
	2023	**2022**
Total payments made	1,353,079	1,297,802
Total payments pending	451,977	406,830

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 performed with the Company's suppliers have been considered after eliminating the reciprocal receivables and payables of the subsidiaries and, as applicable, those of the jointly controlled entities pursuant to the applicable consolidation rules.

(Expressed in thousands of euros)

The calculation is made taking into account the date of registration of the invoice in the system. On that date, not all the invoices are due since they may not comply with the contractual requirements established. In addition, this debt is not enforceable in accordance with ‘paid when paid’ clauses.
In accordance with the new regulations under section 9 of Law 18/2022, of 28 September, in addition to the above information, the following information is provided:

Number (units)	**2023**	**2022**
Invoices paid prior to compliance with the maximum legal period for payment to suppliers	63,154	21,053
Percentage out of total number of supplier invoices	73%	56%
Volume (thousands of euros)	**2023**	**2022**
Invoices paid prior to compliance with the maximum legal period for payment to suppliers	428,523	440,696
Percentage out of total number of supplier invoices	32%	34%

19. Provisions

	Thousands of euros	
	2023	**2022**
Provisions for risks arising from litigation and other non-current payments to be made	79,826	79,623
Provision for equity deficit of subsidiaries	204,666	206,959
Non-current	**284,492**	**286,582**
Other provisions	10	78
Current	**10**	**78**

The changes in 2023 and 2022 were as follows:

	Thousands of euros					
	Provision for litigation and other		**Provision for equity deficit of subsidiaries**		**Total**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Beginning balance	**79,622**	**34,322**	**206,960**	**186,329**	**286,582**	**220,651**
Period provisions	204	81,000	18,524	31,326	18,728	112,326
Amounts used/reversed	-	(35,700)	(20,818)	(10,695)	(20,818)	(46,395)
Ending balance	**79,826**	**79,622**	**204,666**	**206,960**	**284,492**	**286,582**

Provisions for litigation and other - non-current

There were no significant changes to this heading in 2023 since Company management considers that the provision recognised is sufficient to cover the existing risks.

The change in 2022 was due to use of the provision recognised in relation to the arbitration of the Australia project, which was settled in the first half of 2022, and the recognition of the provision for management’s best estimate of the risks arising from litigation and existing claims amounting to EUR 81 million, with EUR 45 million corresponding to the Algeria project as a result of the deterioration of the situation in that country.

(Expressed in thousands of euros)

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

Provision for equity deficit of subsidiaries

The increase in this heading is mainly due to the provision recognised in relation to the Company's interest in TR Portugal, TR UK and TR Duqum. In addition, the disposals relate to the reversal of the provisions recognised mainly corresponding to TR Saudia.

Other provisions - current

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

20. Income tax and tax matters

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

The reconciliation of net income and expenses for the year to the tax loss for income tax purposes for 2023 is as follows:

	Thousands of euros	
	2023	**2022**
Profit/(loss) before tax	202,653	(16,343)
Profit/(Loss) taken to equity	(7,737)	-
Total profit/(loss) before tax	**194,916**	**(16,343)**
Adjustments to accounting profit/(loss)		
Permanent differences	14,477	(114,587)
Temporary differences	(28,074)	144,970
Total adjustments	**(13,597)**	**30,383**
Taxable profit/Tax loss	**181,319**	**14,040**

Increases and decreases due to permanent differences relate to the following:

Increases due to permanent differences

	Thousands of euros	
	2023	**2022**
Foreign taxes	17,769	-
Gains/(Losses) on sale of investees	-	1,179
Provisions for investments in Group companies and associates	125,994	-
Non-deductible expenses	1,016	496
Other	33	-
	144,812	**1,675**

(Expressed in thousands of euros)

Decreases due to permanent differences

	Thousands of euros	
	2023	**2022**
Profit/(loss) from abroad	97,516	32,188
Exemption for foreign dividends	32,819	78,023
Provisions	-	6,051
	130,335	**116,262**
Total permanent differences	**14,477**	**(114,587)**

The income tax expense is composed of the following:

	Thousands of euros	
	2023	**2022**
Current tax	45,330	3,510
Deferred tax on temporary differences	(7,019)	(28,854)
Taxes recognised in equity	(1,934)	-
Other	27,209	5,938
	63,586	**(19,406)**

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

Deferred tax assets

	Thousands of euros	
	2023	**2022**
Deferred tax assets		
- recoverable in over 12 months	280,360	223,068
- recoverable in under 12 months	4,979	24,266
	285,339	**247,334**
Deferred tax liabilities		
- payable in over 12 months	15,890	-
- payable in under 12 months	10,807	27,296
	26,697	**27,296**

Deferred taxes arose from the following:

Deferred tax assets	Thousands of euros	
	2023	**2022**
Tax losses recognised in permanent establishments	40,137	40,778
Recognition of portfolio allowances	88,069	94,375
Provisions for contingencies and charges and other	29,809	27,522
Depreciation	112	221
Concessions	3,722	3,722
Taxes arising from permanent establishments	4,145	10,885
Tax loss carryforwards *	69,554	68,493
Tax credit for a limit of 50% of the losses offset in tax consolidation	49,791	-
Hedging reserve	-	1,338
	285,339	**247,334**

(Expressed in thousands of euros)

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

Deferred tax liabilities	**Thousands of euros**	
	2023	**2022**
Hedging reserve	4,460	-
Taxes arising from permanent establishments	22,237	27,296
	26,697	**27,296**

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

	Thousands of euros			
	2023		**2022**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
At 1 January	**247,334**	**27,296**	**215,054**	**18,441**
Reversals/amounts used	(25,515)	-	(2,715)	-
Period provisions	18,497	-	42,383	8,855
Other	45,023	(599)	(7,388)	-
At 31 December	**285,339**	**26,697**	**247,334**	**27,296**

Effective for tax periods beginning in 2023, Final Provision Five, Tres, of Spanish Law 28/2022, of 27 December, for the establishment of temporary charges on energy companies, credit institutions, and financial credit establishments and a temporary solidarity tax on high net-worth individuals, and amending certain tax regulations, includes a new additional provision eighteen to Spanish Law 27/2014, of 27 November, on Corporation Tax (the 'Corporation Tax Act'), which includes a temporary measure limiting the amount of individual tax losses of each company that makes up the tax group for corporation tax by 50%. As a result of applying this additional provision, a tax credit of EUR 49,791 thousand was generated, which will be allocated to taxable profit on a straight-line basis over the next 10 years, without any additional limitation being applied.

According to the forecasts prepared by Management, it is estimated that the tax credits and prepaid taxes generated as a result of losses in branches/subsidiaries of the Company will be recovered within 8 years since, among other actions, there is a plan to liquidate these branches/subsidiaries in a shorter period, logically subject to the fulfilment of the contractual and commercial obligations of the branches/subsidiaries. Accordingly, it should be noted that in accordance with that planned in 2022, TR Canada was liquidated in 2023 and, also as planned, a tax credit for EUR 49,791 thousand was generated, which, as a result of the amendment to the Corporation Tax Act indicated above in this note, will be allocated to taxable profit on a straight-line basis over the next 10 years, without any additional limitation being applied.

The assumptions used in the plan for recovering the deferred tax assets are based on both the reported medium-term targets (i.e. a portfolio of around EUR 9,000 million, EUR 5,000 million in annual revenue and a margin above 4%), and the forecasts on which the disbursement of the Fund for Supporting the Solvency of Strategic Companies and the recovery of the level of sales and their returns are based in accordance with the expectations of normalised recovery of investments, the impact of the energy transition on the sector, tax planning (see below the prior valuation agreement with the Spanish tax authorities) and the entry into force of the second part of the efficiency plan, which identifies opportunities for the Group to become more efficient.

It should be noted that in the base case for the year regarding the recoverability of deferred tax assets, the Company has not taken into consideration the recent ruling of the Constitutional Court in which the limitations established in Royal Decree 3/2016 were declared null and void when using tax loss carryforwards.

(Expressed in thousands of euros)

In any case, a corresponding sensitivity analysis was performed on the critical variables used in the projections, mainly on the estimated return on future projects, also taking into consideration different scenarios in relation to the effects arising from the above ruling of the Constitutional Court, so that even in the event of a 25% reduction in the average expected return, the deferred tax assets would be recovered within a period of less than 10 years.

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

	Thousands of euros			
		2023		2022
	Base	Tax charge	Base	Tax charge
Spain	157,076	39,269	157,076	39,269

In 2023 the Spanish National Appellate Court handed down rulings in favour of Técnicas Reunidas, as the Parent of the consolidated tax group, and 11 joint ventures in relation to corporation tax settlements for 2008 to 2011. The National Appellate Court ruling recognised that the application by Técnicas Reunidas of the exemption under section 50(1) of the Consolidated Text of the Corporation Tax Act in respect of the earnings of 11 joint ventures through which it operated abroad was in accordance with the law.

To date, the Supreme Court has handed down eleven rulings on the inadmissibility of the appeal filed by the State lawyer in relation to these settlements. One of them is the ruling handed down in the proceedings against the Company, in its capacity as the Parent of the consolidated tax group, which is the entity to which the debt was settled in full, and the other rulings correspond to the proceedings against ten of the regularised joint ventures. Currently, the ruling on inadmissibility corresponding to the only remaining joint venture has yet to be handed down.

In view of this Supreme Court ruling, no more appeals can be filed and, therefore, the corporation tax audit for 2008 to 2011 can be considered closed.

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

As a result of the tax audit for 2012-2014, there were a number of items regarding corporation tax that were signed on a contested basis. These assessments signed on a contested basis amounted to EUR 3,566 thousand for 2012 (EUR 744 thousand in interest), while for 2013 and 2014 these assessments contained a proposed settlement amounting to EUR 5,002 thousand (EUR 833 thousand in interest). In addition, the Company received proposed penalties for 2012 and 2013 to 2014 amounting to EUR 1.2 and 1.6 million, respectively.

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

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

Company Management and its tax advisers have concluded that it is not likely that the amounts of the tax assessments appealed before the National Appellate Court will have to be paid and, therefore, no provision has been recognised in this regard.

Advance Price Agreement

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

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

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

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

Value-added tax

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

For 2009 and 2011 the Company received a preliminary assessment of EUR 1.26 million and a proposed penalty of EUR 0.445 million, both including interest, while for 2012 and 2013 it received a preliminary assessment that recognised an amount of EUR 0.664 million to be refunded to the Company instead of the requested EUR 1,539 million, and a proposed penalty of EUR 0.372 million.

Against the above proposals TRSA filed claims before the Central Tax Appeals Board, which were dismissed and subsequently appealed by TRSA before the National Appellate Court. As part of the appeal for judicial review for 2009 and 2011, TRSA requested the stay of payment of the debt arising from the settlement agreement and the penalty. However, the request was dismissed by the National Appellate Court and the Company therefore paid both amounts. Accordingly, as part of the appeal for judicial review for 2012 and 2013, TRSA requested the stay of payment of the debt, which was accepted by the National Appellate Court.

On 29 June 2022, the National Appellate Court handed down a ruling for 2012 and 2013 that partially upheld the appeal filed by TRSA. In particular, the ruling confirmed the settlement agreement, but rendered the penalty imposed of EUR 0.372 million null and void. In view of this ruling, on 13 September 2022 TRSA submitted a notice that an appeal to the Supreme Court would be filed in relation to the confirmation of the settlement agreement.

On 31 May 2023, the Supreme Court handed down a ruling on the inadmissibility of the appeal and, therefore, the ruling of the National Appellate Court is final. However, since the settlement agreement did not indicate any amount to be paid, the Company will not have to make any payments.

In addition, on 27 June 2023, a ruling was handed down by the National Appellate Court that partially upheld the appeal filed by TRSA for the proceedings from 2009 to 2011, which fully annulled the penalty agreement and partially annulled the settlement agreement by EUR 0.144 million.

The ruling of the National Appellate Court for 2009 and 2011 is final, and a final decree was issued on 4 October 2023. The Company is currently waiting for the tax authorities to carry out the ruling of the National Appellate Court and issue a refund to TRSA for the amounts paid for the items annulled by the National Appellate Court, together with the corresponding late payment interest.

(Expressed in thousands of euros)

Other taxes

As a result of the tax audit initiated on 3 July 2017 for the Company's other taxes for 2014 and 2015, several points were subject to assessments signed on a contested basis for an amount of EUR 3,573 million including interest and, a proposed penalty of EUR 1.6 million.

On 4 April 2023, the ruling of the Central Tax Appeals Board was handed down, which virtually confirmed the adjustment contained in the settlement and penalty agreements. In response to this ruling, TRSA filed an appeal for judicial review with the National Appellate Court on 29 May 2023.

On 12 July 2023, TRSA was provided with the administrative file with the deadline to file a claim. However, since the file was incomplete, TRSA requested that the file be completed, which lead to the suspension of the period for filing a claim.

On 28 September 2023, TRSA was once again provided with the administrative file to file the claim, which was submitted on 23 October 2023. The Company is currently waiting for the statement of defence to be submitted by the State Lawyer.

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

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

Tax	Years
Income tax	2015-2023
Value-added tax	2016-2023
Personal income tax	2016-2023
Taxes other than income tax	Last 4 years

The varying interpretations of current tax law, 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 consolidated financial statements.

Pillar Two Global minimum tax

On 14 December 2021, the Inclusive Framework on the initiative against tax base erosion and profit shifting was published by the OECD and the G-20 published the Pillar Two Model Rules (‘the Rules’).

These Rules are a set of international tax measures that seek to limit tax competition between the different systems that tax corporate profits by establishing a global minimum level of taxation for multinational groups with consolidated revenue that is generally equal to or greater than EUR 750 million.

The Rules have set this minimum level at a rate of 15%. Therefore, the groups affected must calculate their effective tax rate for each jurisdiction in which they operate, in accordance with the specific rules provided for in the Model Rules. In jurisdictions where the tax rate is less than 15%, the groups will have to pay an additional tax corresponding to the difference between the effective tax rate calculated for the jurisdiction in question and the above 15%.

Accordingly, the Council of the European Union adopted Directive 2022/2523 (the Directive), incorporating this initiative into the European legal framework. The Directive includes, with certain exceptions, the content of the Model Rules and indicates that the deadline for their transposition by the Member States is 31 December 2023. It also stipulates that the related provisions must apply to the years beginning on or after that date.

As of the date of formulation of these financial statements, the process of transposing the Directive into Spanish law is still under way. However, in line with that established in the Draft Law, submitted for public consultation on 20 December 2023, it is expected to take effect for tax periods beginning on or after 31 December 2023 and, therefore, will affect the Técnicas Reunidas Group from the next year beginning on 1 January 2024.

It should also be noted that the law relating to Pillar Two has already been enacted in other jurisdictions. However, the law has yet to be enacted in the Company's most relevant jurisdictions and there is no certainty, at the date of formulationa of these financial statements, as to whether this approval will be given and, where applicable, the effective date of the resulting law. This is with the exception of Spain where, as we have already indicated, the expectation is that the law will take effect as of 2024.

At the end of 2023, the Company assessed its exposure to the law relating to Pillar Two once it enters into force. At the date of formulation of these financial statements, this assessment was carried out mainly based on the analysis of the OECD's Transitional Safe Harbour, which is also provided for in the Draft Law mentioned above.

As a result of this preliminary analysis, the Company considers that most jurisdictions qualify for one of the three tests under the Safe Harbour and, therefore, they would not be liable for any supplementary tax. As regards those that do not qualify, the Company does not expect to have significant exposure to any supplementary tax that could arise from Pillar Two once the law enters into force.

It should also be noted that the Company continues to monitor legislative developments in the jurisdictions where it has a presence and to prepare its internal procedures to be able to duly comply with the obligations arising from Pillar Two.

21. Revenue and expenses

a) Revenue

The information by activity included in the financial statements is structured, first, by operating segments, and second, by geographical distribution.

The operating segments are:

(i) Refining: This line provides management, engineering, procurement, construction and commissioning services for facilities along the entire value chain for the production of fuels that meet the highest standards (euro V/euro VI). These facilities convert waste flows into high quality fuels, optimising the use of natural resources. The Company also has extensive experience in the design and construction of the most advanced technologies for clean refining production processes. The Company also offers its clients the possibility of modernising existing plants with the aim of improving their efficiency and making progress in the sustainability actions and commitments that they have decided to implement.

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

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

(Expressed in thousands of euros)

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

a. Hydrogen: Through this business line, the Company is actively involved in offering solutions for different types of hydrogen, helping its customers to integrate this element into their production processes with storage solutions or by blending it with existing gas networks.

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

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

(v) Other: This segment provides direction, management, engineering, procurement, construction and commissioning services for facilities related to activities outside the Company's business lines. The main activities are water treatment, port infrastructures and oil production. Also included in this segment are those projects whose completion was not achieved as a result of customer termination of the contract, through the enforcement of guarantees. The purpose of this inclusion is to avoid distorting the analysis of the remaining segments.

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

No sales were made between the different operating segments in 2023 and 2022.

The distribution of revenue by operating segment is as follows:

	Thousands of euros	
	2023	**2022**
Refining	560,765	613,058
Natural gas	1,335,655	696,691
Petrochemical	609,832	775,579
Low-carbon technologies	38,989	4,675
Other	227,586	327,485
Total	**2,772,827**	**2,417,488**

(Expressed in thousands of euros)

Similarly, the geographical distribution of revenue relating to the Company's ordinary operations is as follows:

	Thousands of euros	
	2023	**2022**
Spain	64,095	43,065
Middle East	1,249,398	1,035,110
America	282,998	198,173
Asia	448,072	298,483
Europe	666,583	481,046
Mediterranean	61,680	361,611
	2,772,827	**2,417,488**

In 2023 and 2022, 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	
	2023	**2022**
Sales	1,810,580	1,479,301
Purchases	1,062,973	1,118,759
Services received	54,014	93,551

c) Staff costs

	Thousands of euros	
	2023	**2022**
Wages and salaries	268,758	224,782
Termination benefits	405	948
Employee benefit costs	52,609	44,906
Provisions for employee benefits	1,655	1,335
	323,427	**271,970**

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

	2023	**2022**
Executive directors and senior executives	10	10
Graduates, line personnel and clerical staff	3,495	2,752
Non-graduates/Unqualified staff	23	21
Sales staff	41	13
	3,569	**2,796**

Share rights remuneration plans

In 2023, the Board approved two share rights remuneration plans on the Company's shares, intended for those responsible for its management for the purpose of retaining and encouraging them. Both plans have a term of 3 years (vesting between 2025 and 2026), and they can be exercised provided that certain conditions related to the share price are met. A total of 272,354 shares are affected by the plans.

(Expressed in thousands of euros)

At the end of the year, a provision of EUR 479 thousand was recognised corresponding to the estimated cost incurred by the Company in 2023.

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

	2023			2022		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executive directors and senior executives	9	1	10	9	1	10
Graduates, line personnel and clerical staff	2,381	1,309	3,690	2,119	1,158	3,277
Non-graduates/Unqualified staff	20	2	22	21	1	22
Sales staff	26	17	43	6	6	12
	2,436	**1,329**	**3,765**	**2,155**	**1,166**	**3,321**

The above figures include 541 subcontracted workers (2022: 461 workers).

In 2023 there were 22 employees, included in the category of 'Graduates, line personnel and clerical staff', with a degree of disability of 33% or more (2022: 16 employees).

d) Outside services

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

	Thousands of euros	
	2023	**2022**
Services	73,827	74,988
Rent and royalties	46,280	44,264
Independent professional services	43,955	30,693
Transport	14,458	13,033
Repairs and upkeep	5,965	4,907
Insurance premiums	11,544	9,858
Banking and similar services	44,949	42,948
Other	12,036	6,761
Total outside services	**253,014**	**227,452**

(Expressed in thousands of euros)

22. Financial profit/(loss)

	Thousands of euros	
	2023	**2022**
Finance income:		
From investments in equity instruments:		
Group companies and associates (Note 8)	79,522	82,129
From marketable securities and other financial instruments:		
From Group companies and associates	25,060	17,815
Third parties	10,476	9,854
	115,058	**109,798**
Finance costs:		
On debts to Group companies and associates	-	(6,186)
On debts to third parties	(42,231)	(22,139)
Other finance costs	(11,280)	(12,212)
	(53,511)	**(40,537)**
Net exchange differences	**(8,051)**	**24,307**
Impairment and gains or losses on disposal of financial instruments		
Impairment and other losses	(196,187)	(114,342)
Gains or losses on disposals (Note 8)	(568)	(1,179)
	(196,755)	**(115,521)**
Financial profit/(loss)	**(143,259)**	**(21,952)**

23. Contingencies

a) Contingent liabilities

The Company has contingent liabilities for bank guarantees and other securities related to the normal course of business. It is envisaged that no significant liability will arise from them in addition to those cases for which provisions were made as mentioned in Note 19.

In the normal course of business, and as is common practice among companies engaging in engineering and construction activities, the Company issued guarantees to third parties for a value of EUR 3,913,611 thousand (2022: EUR 4,414,833 thousand) to secure adequate fulfilment of the agreements.

The total guarantees provided include syndicated guarantee lines amounting to EUR 542,485 thousand (2022: EUR 660,843 thousand), of which EUR 434,962 thousand are subject to certain covenants, which were fulfilled at 31 December 2023. At the date of formulation of these consolidated financial statements, the ratio had been met and the ratio of equity attributable to shareholders/total balance sheet in excess of 9% is also expected to be met for 2024.

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

As mentioned in Note 5, there were borrowings amounting to EUR 9,892 thousand (2022: EUR 11,656 thousand) related to the construction of the concessions. Those loans (except for EUR 1,200 thousand) are secured with the stated concession assets.

In relation to the audits mentioned in Note 20, bonds have been handed to the tax authorities amounting to EUR 157,900 thousand. (EUR 130,400 thousand as instalment and EUR 27,500 thousand in default interest).

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

KPP Finland

In 2021, KPP, a consortium established by Nestlé, Borealis and Veolia, initiated arbitration proceedings against the Company, demanding both the penalties stipulated as a result of the delay in completion of the construction — EUR 40 million, already paid through the enforcement of guarantees —, and compensation for additional costs and for harm and loss as a result of the termination of the contract, which totals around EUR 165 million. Accordingly, the Company dismissed KPP's claims during the lawsuit and filed counterclaims requesting compensation for the unfounded termination of the contract and for ordered modifications, which amount to EUR 150 million.

MGT Teesside-UK

In May 2021, MGT Teesside, an entity created by Macquarie and PKA, cancelled the EPC contract awarded to the TR and Samsung C&T consortium at a time when construction was more than 99% complete. The guarantees were enforced and used to finance the completion of the work and the outstanding amounts payable to the consortium. TR/Samsung immediately initiated arbitration proceedings, claiming that the termination of the contract was illegal and demanding restitution of the amounts subtracted as a result of the guarantees enforced, payment for the completed work pending certification and compensation for the economic repercussions of Covid-19. The claims of TR/Samsung currently reach Sterling Pounds 195 million, while MGT demands Sterling Pounds 223 million, with Sterling Pounds 118 million already received through the enforcement of guarantees.

(Expressed in thousands of euros)

GTG Algeria

The arbitration dispute was initiated by the Company in May 2022 due to the enforcement of guarantees by GTG (SONATRACH and NEPTUNE Energy consortium), which coincided with the diplomatic tension between Spain and Algeria, despite the fact that the provisional acceptance of the plant had been carried out two years earlier. The Company claims that the guarantees were unduly enforced. TR claims EUR 166 million, including the recovery of the bank guarantees enforced. GTG's initial claims in the arbitration proceedings now amount to USD 110 million for penalties and guarantee claims. In November 2023, GTG filed a new claim for USD 822 million in lost profits, which the Company opposes, arguing that it should not be included in the arbitration proceedings in progress. The ruling has yet to be handed down by the Arbitral Tribunal on its admissibility.

The Company recognised provisions directly in the project for the lawsuit corresponding to KPP Finland and MGT Teeside.

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

At the date of formulation of these financial statements, each of these lawsuits was in a different procedural phase, and it is considered that the legal proceedings with KPP Finland could be settled in 2024, and no immediate ruling is expected for the other proceedings.

In the opinion of the directors, based on internal valuations and third-party expert reports, the potential liabilities arising from these lawsuits would be sufficiently covered by the provisions already recognised.

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:

	2023	2022
Less than 1 year	10,463	10,578
From 1 to 5 years	16,832	27,184

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 the Company's customers are issued in accordance with contractual milestones of a similar nature to those that the Company maintains with its suppliers.

(Expressed in thousands of euros)

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:

	Thousands of euros	
Assets	**2023**	**2022**
Non-current assets	55,100	57,332
Current assets	1,237,006	1,087,680
	1,292,106	**1,145,012**
Liabilities		
Non-current liabilities	30,058	54,727
Current liabilities	1,053,407	1,029,589
	1,083,465	1,084,316
Net assets	**208,641**	**60,696**
Revenue	2,085,143	1,608,178
Expenses	(1,882,325)	(1,553,021)
Profit after tax	**202,818**	**55,157**

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

<u>a) Remuneration of Board members</u>

The overall remuneration received by the members of the Company's Board of Directors during the years ended 31 December 2023 and 2022 is presented below:

	Thousands of euros	
	2023	**2022**
Attendance fees for Board of Directors meetings	1,623	1,943
Wages and salaries	800	800
Life insurance premiums and pension plans	4	4
Services rendered to the Group	228	331
	2,655	**3,078**

Furthermore, the Group paid EUR 320 thousand and EUR 340 thousand in 2023 and 2022, respectively, as third-party liability insurance to directors and executives.

<u>b) Remuneration of Senior Executives</u>

Additionally, in 2023 the Company's senior executives received remuneration (wages and salaries, both fixed and variable) totalling EUR 6,832 thousand (2022: EUR 4,503 thousand), advances of EUR 0 thousand (2022: EUR 5 thousand) and loans of EUR 35 thousand (2022: EUR 0 thousand).

The amount of remuneration paid in 2023 includes EUR 2,810 thousand in variable remuneration that is earned every three years.

(Expressed in thousands of euros)

c) Situations of conflict of interest involving the directors

The Company's directors do not have any issue to report in relation to section 229 of the Spanish Corporate Enterprises Act, enacted by Royal Legislative Decree 1/2010, of 2 July.

26. Other transactions with related parties

a) 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:

	Thousands of euros	
2023	**Group companies**	**Jointly controlled entities and associates**
Services received	121,692	-
Finance costs	3,675	784
Total expenses	**125,367**	**784**
Services rendered	229,455	72,604
Finance income	23,877	1,182
Dividends received (Note 25)	49,975	29,547
Total income	**303,307**	**30,729**

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

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 2023 or 2022.

27. Environmental information

In view of the business activities carried on by the Company, it does not have any environmental assets, provisions or contingencies that might be material with respect to its equity, financial position or results (see Note 4.3).

28. Events after the reporting date

On 14 February 2024, José Lladó Fernández-Urrutia, the founding president and main shareholder of the Company, passed away in Madrid at the age of 89 after a long illness.

(Expressed in thousands of euros)

No significant events that need to be disclosed had taken place at the date of formulation of these financial statements.

29. Fees paid to auditors

The fees accrued for services engaged by the Company in 2023 from its auditors and other companies related to them are detailed as follows:

	Deloitte, S.L.		PWC*		Other companies of the PwC network*		Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Audit services	**750**	**413**	**-**	**354**	**-**	**-**	**750**	**767**
Other non-audit services	**263**	**26**	**460**	**242**	**275**	**165**	**998**	**433**
Other attest services	212	26	460	242	-	-	672	268
Services required by the applicable regulations	51	-	-	-	-	-	51	-
Tax services	-	-	-	-	275	165	275	165
	1,013	**439**	**460**	**596**	**275**	**165**	**1,748**	**1,200**

PWC*: PricewaterhouseCoopers Auditores, S.L.

TÉCNICAS REUNIDAS, S.A.

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

2023

Name	Business activity	% ownership	Name	Business activity	% ownership
TR Abu Dhabi BRANCH	Engineering services and project execution	100%	UTE TR HARADH GAS COMPRES	Engineering services and project execution	85%
TR TURQUÍA BOTAS	Engineering services and project execution	100%	UTE RAMBLA	Engineering services and project execution	40%
TR AUSTRALIA	Engineering services and project execution	100%	UTE Villamartin	Engineering services and project execution	50%
TRSA India 37023	Engineering services and project execution	100%	UTE TR ADGAS	Engineering services and project execution	85%
TReunidas Branch Argelia	Engineering services and project execution	100%	UTE MARJAN	Engineering services and project execution	45%
TR Indonesia	Engineering services and project execution	100%	UTE TR NEC	Engineering services and project execution	15%
TR Kazajistán Branch	Engineering services and project execution	100%	UTE Centro de día	Engineering services and project execution	50%
TR SA ODDZIAL W POLSCE	Engineering services and project execution	100%	UTE TUBAN	Engineering services and project execution	85%
UTE TR YANBU REFINERY	Engineering services and project execution	100%	UTE TR/TREC OPER.DESALAD	Engineering services and project execution	50%
EP BANGLADESH	Engineering services and project execution	50%	TRD DUQM PROJECT	Engineering services and project execution	65%
EP JORDANIA	Engineering services and project execution	50%	TR MOSCU BRANCH	Engineering services and project execution	100%
TR KUWAIT BRANCH	Engineering services and project execution	100%	UTE TR Altamarca C. Viña	Engineering services and project execution	100%
TR FINLAND BRANCH	Engineering services and project execution	100%	TR THAILAND BRANCH	Engineering services and project execution	50%
UTE INTEGRATED PROJECT	Engineering services and project execution	15%	UTE PEIRAO XXI	Engineering services and project execution	50%
UTE TR JRTP JAZAN	Engineering services and project execution	15%	UTE TR/GEA 21 COL.PLUVIA	Engineering services and project execution	80%
UTE TR TALARA	Engineering services and project execution	15%	UTE PERELLÓ	Engineering services and project execution	50%
UTE TR OPTARA	Engineering services and project execution	85%	UTE TSK TR ASHUGANJ NORTH	Engineering services and project execution	50%
UTE TR/IN CONS.COMPL. VIÑA	Engineering services and project execution	85%	TR QATAR BRANCH	Engineering services and project execution	100%
UTE TR MINATITLAN	Engineering services and project execution	15%	UTE TR/ SGS PISTA 18R	Engineering services and project execution	50%
UTE TR/IPI Refi. de Sines	Engineering services and project execution	85%	UTE TR PHB JORDAN	Engineering services and project execution	50%
JV TR WISON	Engineering services and project execution	70%	SAMSUNG-TR JOINT VENTURE	Engineering services and project execution	29%
JV NPCC Técnicas AD	Engineering services and project execution	50%	EP UTE Hassi Messaoud	Engineering services and project execution	55%

TÉCNICAS REUNIDAS, S.A.

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

UTE TR INTEGRATED GAS	Engineering services and project execution	15%	TR OMAN BRANCH	Engineering services and project execution	100%
TRSA INDIA 37007	Engineering services and project execution	100%	UTE HPP Gepesa	Engineering services and project execution	60%
UTE TR TSK SAN LUIS	Engineering services and project execution	50%	UTE TR TSK CC. GÓNZORTEGA	Engineering services and project execution	50%
UTE IGD	Engineering services and project execution	15%	TR Belgium Branch	Engineering services and project execution	100%
TR Maharashtra	Engineering services and project execution	100%	UTE TR JAFURAH	Engineering services and project execution	65%
UTE TR ETO	Engineering services and project execution	85%	UTE FAHDILI	Engineering services and project execution	50%
UTE TR/Duro F. CTCC Besós	Engineering services and project execution	50%	UTE DECARB GANTE	Engineering services and project execution	50%
TR Branch Azerbaijan	Engineering services and project execution	100%	UTE TR BALONGAN	Engineering services and project execution	85%
UTE HASSI MESSAOUD PRJ.	Engineering services and project execution	55%	UTE TR MERCURY	Engineering services and project execution	85%
UTE TR JURONG	Engineering services and project execution	85%	UTE MOSCOW REFINERY	Engineering services and project execution	90%
TRSA India 33059	Engineering services and project execution	100%	TRSA India 33065	Engineering services and project execution	100%
TR SHARJAH BRANCH	Engineering services and project execution	100%	TR SINGAPUR BRANCH	Engineering services and project execution	100%
TRSA India 33117	Engineering services and project execution	100%	UTE TR TSK CC. VALLADOLID	Engineering services and project execution	50%
TECNICAS REUNIDAS FR BR	Engineering services and project execution	100%	TECREUN MOROCCO BRANCH	Engineering services and project execution	100%
HYUNDAI TR SPOLKA	Engineering services and project execution	45%	JV KUWAIT CONSORTIUM	Engineering services and project execution	50%
BX TR SPOLKA CYWILNA	Engineering services and project execution	50%	UTE Puerto de Barcelona	Engineering services and project execution	50%
UTE TR BU HASA	Engineering services and project execution	15%	EP SINES	Engineering services and project execution	100%
JV SOHAR	Engineering services and project execution	50%	JV DASAIT	Engineering services and project execution	50%
UTE TSGI	Engineering services and project execution	33.33%	UTE TR Naphtha RT	Engineering services and project execution	70%
UTE TR TSK C.C. MÉRIDA	Engineering services and project execution	50%			

TÉCNICAS REUNIDAS, S.A.

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

2022

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

Management Report

1. Business performance

The macroeconomic environment

The global economic recovery is steady but uneven across countries in the wake of the COVID-19 pandemic, the conflict in Ukraine and rising prices in the face of supply shortages caused by external shocks. Inflation is falling faster than expected after peaking in 2022 and is having less of an impact on employment rates and economic activity than expected, as central banks have tightened monetary policies and kept inflation expectations anchored. At the same time, the high interest rates compared to those of two years ago, coupled with the withdrawal of fiscal support in a context of high public and private debt, are expected to curb growth in 2024.

According to the latest IMF report, global growth projections will remain above 3.1% in 2024 and then rise slightly to 3.2% in 2025 (up from 3.1% in 2023). However, the projection for global growth in 2024 and 2025 is below the historical annual average (3.8% in 2000-19), due to tight monetary policies, the withdrawal of fiscal support and low productivity growth.

The energy sector

The energy sector has recovered significantly to pre-pandemic levels of demand. Liquid fuels reached an average demand of 101 million barrels per day at the end of December 2023, and it is estimated that demand may continue to grow during this decade and start to decline from 2030 onwards.

As for natural gas, global consumption is expected to continue to increase compared to 2022. Natural gas will continue to play a very important role in the decarbonisation of energy, replacing other more polluting fossil fuels and, according to McKinsey Energy 2022, an annualised growth of 10% is expected in 2022-2040. The inclusion of natural gas among the energy sources considered in the European Union's taxonomy was recently approved.

Energy commodity prices have also been reaching scenarios of high prices in recent years. Oil rose from USD 50 per barrel at the end of 2020 to USD 116 at the end of June 2022, closing 2023 at around USD 77 per barrel. As for natural gas, the Henry Hub price closed in June 2022 at USD 6.5 per MBtu, compared to USD 3.8 per MBtu at the end of 2021, and ended at around USD 2.49 per MBtu at the end of December 2023. The main analysts and institutions that monitor the evolution of energy commodities foresee a sustained scenario of high prices for energy and its derivatives.

The scenario arising from the conflict in Ukraine is implying important decisions in Europe regarding the diversification of its energy supply, oil and natural gas, which will translate into additional investments to supply European energy demand, replacing supplies originating from Russia. Before the disruption caused by the conflict in Ukraine, the main companies in the sector, both private companies and state-owned companies, were already pointing to a strong investment cycle stemming from the lack of investment since the mid-2010s and supported by a scenario of high crude oil and natural gas prices. These three factors (geopolitical scenario, lack of recent investment and a scenario of high prices) herald significant investment activity in the energy industry in the coming years, even against a backdrop of lower economic growth.

Técnicas Reunidas

This macroeconomic environment in general and the energy industry in particular have given rise to numerous opportunities. The contracts awarded in 2023 amounted to approximately EUR 4 billion, with projects diversified in both segments and geographical areas. In addition, in many of these projects Técnicas Reunidas has significantly reduced the risk associated with construction as a result of its partnership with Sinopec Engineering.

The Company has stabilised quarterly turnover at around EUR 1,000 million, at constant exchange rates, over the last four quarters. In other words, the projects are already progressing at a pre-pandemic pace of implementation.

Main financial figures

Sales amounted to EUR 2,773 million in 2023. Operating profit was EUR 346 million and net profit stood at EUR 139 million. The normalisation in the execution of projects after the pandemic has been overcome and the initial uncertainties of the war in Ukraine, once resolved, explain the stabilisation in sales and the improvement in operating margins and net profit.

2023 ended with a negative net cash position of EUR 33 million, which includes the net effect of the capital increase paid on 4 May 2023. The Company used a portion of the cash flows from the capital increase, as detailed in the prospectus of the increase, to reduce its financial debt.

The average variable interest rate (spread) applicable to the debt was 2.08% in 2023 compared to 2.19% in 2022, which is in line with the improvement in profit and the improvement in the Company's liquidity, credit and solvency ratios.

The order backlog at the date of formulation of the financial statements amounted to EUR 11,406 million compared to EUR 10,700 million at the end of 2022. The most relevant projects described below (Germany, Qatar, United Arab Emirates and Saudi Arabia), their diversification in terms of segments and technologies, and the good prospects of the sector and the normalised accrual rate of production during the year has led to an increase in the year-end backlog compared to the previous year.

Access to EU funds for strategic companies and solvent companies

In mid-2020, the European Union launched mechanisms to help companies that were solvent before the appearance of COVID and that had been severely impacted by the pandemic. In Spain, these funds are managed by the Spanish State-Owned Industrial Holding Company (SEPI). On 22 February 2022, a financing package of EUR 340 million was granted to Técnicas Reunidas, structured into a participative loan of EUR 175 million and an ordinary loan of EUR 165 million. The first partial repayment of the ordinary loan, amounting to EUR 33 million, took place on 22 February 2024. In addition, the interest corresponding to the ordinary tranche, which amounted to EUR 3.3 million, and the interest on the equity tranche, amounting to EUR 10.7 million, was also paid on that date.

Both tranches of the loan provide for a repayment period of four and a half years from the date on which the loan was granted, maturing in August 2026, although the ordinary tranche provides for partial repayments over the life of the loan.

Técnicas Reunidas holds quarterly meetings with SEPI to monitor full compliance with all the conditions linked to the public aid granted and confirms that it will fully comply with the payment schedule agreed with SEPI in the financing agreements signed.

Capital increase in April-May 2023

On 10 April, the Company announced that it would increase capital by up to 50% of the share capital with pre-emption rights. The transaction consisted of the issue of 24,405,265 new shares, equivalent to 43.7% of the current share capital. Registered shareholders would receive one pre-emption right for each share held. The purpose of the capital increase was to strengthen the Company's financial position to ensure its leadership ahead of a super investment cycle related to energy and decarbonisation. On 11 April, the Spanish National Securities Market Commission (CNMV) approved and registered in its official registers the prospectus corresponding to the capital increase through monetary contributions and with the recognition of the pre-emption right of the Company's shareholders. The capital increase was aimed at the Company's shareholders who had acquired their shares up until 12 April 2023 (the day on which the notice of the capital increase was published in the Official Commercial Registry Gazette) and who were listed as shareholders in the Iberclear registries at 11:59 pm on 14 April 2023 (the second trading day following publication of the above notice in the Official Commercial Registry Gazette), both inclusive. The pre-emptive subscription period lasted fourteen calendar days starting on 13 April 2023. Pre-emption rights could be traded on the stock exchanges through the Spanish stock market interconnection system and could be transferred and exercised in accordance with the terms and restrictions set out in the prospectus. Pre-emption rights would be traded during the sessions of the pre-emptive subscription period.

On 3 May, it was reported that all 24,405,265 new shares had been subscribed for a total effective amount of EUR 150,092,379.75, as detailed below. When the pre-emptive subscription ended on 26 April, a total of 23,854,420 new shares were subscribed, representing 97.74% of the new shares, with 550,845 new shares available to be acquired in subsequent periods. During the additional period for acquisition, a total of 1,244,160,758 additional new shares of the Company were subscribed, with the corresponding pro rata share allotment provided for in the prospectus. The public deed for the capital increase through monetary contributions, with the recognition of the pre-emption right, was executed on 4 May 2023. The Company's share capital was therefore set at EUR 8,030,126.5, divided into 80,301,265 shares of EUR 0.10 par value each, belonging to a single class and series. The Spanish National Securities Market Commission verified the admission to trading of the 24,405,265 new shares issued and they have been listed on the stock markets since 8 May 2023.

Favourable rulings for Técnicas Reunidas in 2023 and other tax matters:

In 2023 the Spanish National Appellate Court handed down rulings in favour of Técnicas Reunidas, as the Parent Company of the consolidated tax group, and 11 joint ventures in relation to corporation tax settlements for 2008 to 2011. The National Appellate Court ruling recognised that the application by Técnicas Reunidas of the exemption under section 50(1) of the Consolidated Text of the Corporation Tax Act in respect of the earnings of 11 joint ventures through which it operated abroad was in accordance with the Law.

To date, the Supreme Court has handed down eleven rulings on the inadmissibility of the appeal of cassation filed by the State lawyer in relation to these settlements. One of them is the ruling handed down in the proceedings against the Company, in its capacity as the Parent Company of the consolidated tax group, which is the entity to which the debt was settled in full, and the other rulings correspond to the proceedings against ten of the regularised joint ventures. Currently, the ruling on inadmissibility corresponding to the only remaining joint venture has yet to be handed down.

In addition, with the aim of minimising future controversies, Técnicas Reunidas signed a Preliminary Valuation Agreement with the Spanish Tax Authorities in 2022, which establishes the tax model for the tax group in Spain based on BEPS criteria from 2015 onwards. All the years before 2015 have already been reviewed.

Main projects awarded to Técnicas Reunidas

During the first half of 2023, EUR 1,800 million in contracts were awarded. The main projects comprising this amount were an engineering contract, a FEED-OBE contract, for the development of the largest ammonia production plant in Kazakhstan, and the construction of the liquefied gas regasification terminal awarded to a consortium formed by Técnicas Reunidas, FCC and Entrade GMBH (a subsidiary wholly owned by the Turkish company ENKA).

Kazazot, a leading company in the fertiliser industry in Kazakhstan, selected TR in January to develop a new ammonia, urea, nitric acid and ammonium nitrate complex. With a total investment of approximately USD 1,000 million, the plant will be located in southwest Kazakhstan. Técnicas Reunidas will first carry out the engineering design under a FEED-OBE contract, which will require around 200,000 hours of engineering and will be carried out at its Madrid office. Upon completion of the FEED, TR will execute the complete engineering, procurement and construction of the plant through an EPC contract.

In April 2023, Hanseatic Energy Hub awarded the construction of the liquefied gas regasification terminal in Hamburg (Germany) to a consortium formed by Técnicas Reunidas, FCC and Entrade GMBH. The development of this facility represents a total investment of close to EUR 1,000 million. The share corresponding to Técnicas Reunidas amounts to EUR 500 million. TR will design the regasification terminal and the two storage tanks, each with a capacity of 240,000 cubic meters, and will carry out all the work for the supply of equipment and materials for the project. The construction phase and assembly activities will be carried out by FCC and Entrade. The final phase of the project is expected to begin in March 2024

In addition, the Company signed several important contracts in the low-emission technology division, including, among others, the development of the Cepsa second-generation biofuel plant in Huelva — the largest project of its kind in southern Europe — and the electrification project for two industrial complexes of Repsol (in Sines, Portugal and in Tarragona, Spain).

In the second half of the year, the main contracts awarded were the MERAM project for Adnoc (EUR 1,650 million) and the Balance of Plant project for QatarEnergy (EUR 550 million).

The MERAM project (Maximizing Ethane Recovery and Monetization) for ADNOC Gas. This important client awarded the complete development of the project, which focuses on the recovery of ethanol from waste gas, to a consortium formed by Técnicas Reunidas and NPCC. New equipment and systems will be installed to increase the capacity of several existing units at various ADNOC Gas sites in the country, modifications will be made to accommodate the new production profile, and new gas pipelines will be built for gas supply and production at these units. The project headquarters will be in Madrid. The total investment for the full execution of the project amounts to USD 3,600 million (50% of the total scope going to TR). NPCC, TR's partner in this project and recently renamed NMDC Energy, is a major local EPC company and majority owned by the UAE government.

The Balance of Plant project for QatarEnergy. The project consists of developing facilities that will connect the southern part of the industrial city of Ras Laffan with new LNG storage tanks and with the export facilities located in the northern part of Ras Laffan. The total value of the project is estimated at more than USD 560 million. This award strengthens the relationship that Técnicas Reunidas has with QatarEnergy, since TR has been working on large-scale projects related to the North Field expansion since 2021. In fact, this new award is QatarEnergy's fourth contract in the last 24 months.

In January 2024, Saudi Aramco awarded a contract to a joint venture formed by the Spanish company Técnicas Reunidas, with 65% held by Técnicas Reunidas and 35% by Sinopec Engineering Group, for the development of new NGL fractionation facilities in Saudi Arabia for more than USD 3,300 million. The work will be performed in accordance with two EPC (engineering, procurement and construction) contracts; one for the execution of the Riyas NGL fractionation trains (known as Package 1) and the other for the development of the Riyas NGL common facilities (known as Package 2), which includes utilities, storage and export infrastructure.

Energy transition

2023 was a year of significant growth in terms of Técnicas Reunidas' commitment to the energy transition. This determined approach to the decarbonisation of the economy is reflected in its track strategy, which encompasses four activities:

- The execution of Front End Engineering and Design (FEED) services and turnkey project execution services. Through this line of work, Técnicas Reunidas offers its traditional services for the design and construction of important industrial plants based on low-emission technologies.
- Engineering services for early stages of project development. The intense activity of the energy and infrastructure industry in decarbonisation projects is generating a high demand for engineering services for defining the projects. Técnicas Reunidas is providing services along this line, such as developing the technical scope of conceptual and feasibility studies or analysing the technologies available for specific processes.
- Project structure: the expected growth in projects involving low-emission technologies to accelerate decarbonisation requires well-structured investment opportunities. Técnicas Reunidas is working on the development and co-development of projects with industrial partners; current opportunities entail investments of EUR 4,000 million.
- Recurring services associated with the decarbonisation of industrial facilities. In particular, the outsourcing of carbon management for large industrial emitters and the implementation of methane emissions management frameworks.

The focus on this track strategy is yielding significant results. In 2023 and the first few months of 2024, projects in execution accounted for more than EUR 265 million, which is an exponential improvement on that for 2021 and 2022 combined. These projects involve engineering service contracts for projects in the hydrogen value chain, biofuels or carbon capture.

Some of the decarbonisation projects awarded to Técnicas Reunidas are as follows:

In the hydrogen value chain:

- For a confidential client, the development of basic and detailed engineering of two green ammonia plants with a hydrogen production capacity of more than 300 MW using electrolysers.
- For Atlas Agro, execution of the FEED of a green fertiliser plant located on the west coast of the United States, with a production capacity of 650,000 tons per year.
- For Fortescue, in Norway the execution of the FEED for a green ammonia plant with a green hydrogen production capacity of 300 MW using electrolysers.
- For Copenhagen Infrastructure Partners, the execution of the FEED for a 500 MW green hydrogen production plant using electrolysers in Andorra (Teruel).

In biofuels:

- For a confidential client, the construction of a semi-industrial demonstration plant for the production of synthetic fuels from green hydrogen and carbon captured from industrial processes.
- For CEPSA, at its facilities in La Rábida, in Huelva, the engineering and purchase of equipment and materials for the project to produce biodiesel and sustainable aviation fuel (SAF).
- For Advanced Methanol Amsterdam, the execution of the FEED of a project to produce biomethanol from household waste and forest biomass.
- For a confidential client, the execution of basic engineering services for the auxiliary facilities of a project to produce biodiesel and SAF.

In carbon capture:

- For a confidential client, the pre-FEED engineering services for carbon capture in steam production plants.
- For a confidential client, the pre-FEED engineering services for a blue ammonia production plant.
- For SSE, the execution of the FEED for carbon capture in a combined cycle power plant located in Peterhead, Scotland.

- For a confidential client, the pre-FEED engineering services for a blue hydrogen production plant for subsequent use in combined cycle electricity generation.
- Furthermore, Técnicas Reunidas is entering into collaboration agreements with the main licensors of technologies associated with the energy transition and decarbonisation.

As part of the track strategy, and with the aim of establishing platforms for growing its operations, in 2023 Técnicas Reunidas:

Has signed an agreement with the International Finance Corporation (IFC), a subsidiary of the World Bank, with the aim of promoting and developing projects based on low-emission technologies in Eastern European countries.

Has established a team to structure projects in Houston to take advantage of the incentives established under the Inflation Reduction Act (IRA).

Also as part of the track strategy, Técnicas Reunidas is developing the channels and strategies necessary to consolidate a prominent position in the steel and cement industries, with important objectives and challenges for decarbonisation.

For Técnicas Reunidas, the energy transition is a strategic growth line and is expected to make a significant contribution to revenue in the second half of this decade.

2. Research and development activities

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

Research and technological development projects are being carried out at its José Lladó Technology Centre, where more than 70 people work, including graduates and doctors of different disciplines.

In addition, the centre provides technology development and scaling services (55 people currently carry out activities related to scaling up electrolysis and catalysts technologies, with several pilot plants currently in operation) and technical assistance services, collaborates with the transfer of research findings between various public research centres, technology centres and Técnicas Reunidas, and promotes and participates in cooperative research programmes between companies.

Técnicas Reunidas allocated more than EUR 10 million to R&D in 2023. In 2023 Técnicas Reunidas continued its work on the following Spanish and European technology and research and development projects:

<u>Circular Economy</u>

- HALOMET® Technology: waste treatment technology for the incineration of municipal waste to recover zinc and other metals.
- SEA4VALUE Project: European project (HORIZON 2020) to develop valuable metal recovery technologies from brine produced in desalination plants.
- DUST Project: development of technology for the treatment and direct reuse of steel dust, with the main objective of recovering the zinc present in it.
- ECOTRON Project: recycling of electronic devices, the organic substrates and valuable metals present in them.
- ECLIPSE Project: recycling and recovery of complex polymeric waste to obtain new polymers.
- Plastics2Olefins Project: participation in a consortium to design a Plastics Recycling Demo plant to obtain high-value products. TR participates in engineering development, process optimisation and technology integration.
- COMAR Project: a project to recover composite materials, which studies catalytic technologies for separating and recovering the different components so they can be reused.

<u>Hydrogen and carbon dioxide capture</u>

- SHINEFLEET Project: covers the entire hydrogen value chain, from production to end use, including the development of compact renewable and blue hydrogen generators for the heavy transport industry.

- ZEPPELIN Project: study and development of innovative and efficient technological solutions for the production and storage of green hydrogen based on the circular economy. The project is working on producing hydrogen from waste using catalytic and thermochemical techniques.
- UNDERGY Project: studies technologies for the development of seasonal storage of renewable energy with green hydrogen integrated into a smart grid. The main axes are: study of underground storage of renewable energy using green hydrogen and creating an efficient energy management system.
- HYMET Project: development of new technologies applicable to the decarbonisation of the iron and steel industry and reusing its by-products. The project is studying how to recover waste by means of a reduction reactor, the generation of green hydrogen, and how to reuse captured carbon dioxide.
- EFISOEC Project: development of technology for the production of green hydrogen using SOEC (Solid Oxide Electrolyzer Cell) technology.
- HY2DEC Project: development and validation of new emerging technologies for the production and use of hydrogen and green oxygen, as well as carbon dioxide capture, and their integration in intensive Spanish industrial processes with the aim of advancing in their decarbonisation.
- H2toGreenCeramics Project: applied research for the production of green hydrogen on site in the Ceramic Cluster and the energy optimisation of melting furnaces using an oxy-fuel combustion process.

Critical Raw Materials

- PHOS4LIFE® Technology: for the production of technical grade phosphoric acid from sewage sludge incineration ash.
- RARETECH® Technology: for the production of rare earth concentrates from monacite-type minerals.
- RECYCLION® Technology: for the recovery of critical raw materials (Li, Co, Ni, P and graphite) from recycling electric vehicle batteries.
- REMSELAN Project: technology for obtaining rare earths (cerium, neodymium, praseodymium, lanthanum and europium) by separation and purification of lanthanum.
- BIORECOVER Project: recovery of rare earths and platinum from primary and secondary sources.
- PERTE VEC FUTURE FAST FOWARD Project: an initiative in which Técnicas Reunidas will develop the RELOAD Project for the recovery of critical raw materials and high-value metals from batteries, motor supermagnets and electronic components of electric vehicles.
- SUNRISE PV**:** Técnicas Reunidas participates as a technologist and engineer to develop new processes for the recovery and reuse of critical materials and components in the solar photovoltaic value chain.
- MINETHIC Project: development of technologies for the recovery of critical raw materials that are essential for decarbonisation, such as rare earths, cobalt, lithium, nickel, manganese, phosphorus, etc., from various by-products and waste.

Biorefining

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

Nuclear fusion

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

Chemical Processes

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

3. Capital structure

The share capital was made up of 80,301,265 shares, with a par value of EUR 0.10 each. 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:

	2023	2022
Shareholder	**% ownership interest***	**% ownership interest**
Aragonesas Promoción de Obras y Construcciones, S.L.U.	5.17%	5.10%
Araltec Corporación, S.L.U.	32.39%	31.99%
Franklin Templeton Investment Management Ltd	-	3.00%
Francisco García Paramés	5.26%	5.15%
Álvaro Guzmán de Lázaro Mateos	5.97%	5.04%
Ariel Investments. L.L.C.	-	3.01%
Cobas Selección F.I.	-	3.00%
Other shareholders (including free float)	48.45%	39.75%
Treasury shares	2.76%	3.96%
TOTAL	**100.00%**	**100.00%**

4. Restrictions on voting rights.

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

5. Shareholder agreements.

There are no agreements of this type.

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

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

Articles 17 to 22 of the Board Regulations regulate the appointment and removal of the directors of Técnicas Reunidas; establishing that:

1. The Directors will be appointed, following a report by the Appointment and Remuneration Commission, by the General Meeting or by the Board of Directors in accordance with the provisions of the Corporate Enterprises Act.

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

3. To fill an independent director position, the Board of Directors may not propose or appoint 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 particularly 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 Chairman also holds the same powers as the Board of Directors (except for those established in Article 25 relating to the election of the Chairman and the Deputy Chairmen, or those that cannot be delegated in accordance with the law or internal corporate regulations) and on 25 June 2020 was delegated all powers of the Board that could be delegated.

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 determination and approval of the Company's general policies and strategies, including the treasury share policy and, in particular, its limits.

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

8. Significant agreements entered 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 when the latter resign or are dismissed without justification or if the employment relationship ends as a result of a takeover bid

The Executive Chairman's contract provides for financial compensation in the event of removal from office or wrongful termination of the contractual relationship with the Company that serves as a basis for the remuneration of delegated or executive functions not due to a breach attributable to the director, for a maximum amount equal to the amount of the last two annual payments of (a) fixed remuneration, (b) variable remuneration, and (c) the amounts received under the special social security agreements that have been entered into, where applicable. These termination benefits would amount to EUR 2,726 thousand.

In turn, a senior executive contract provides for financial compensation in the event of removal from office or wrongful termination of the contractual relationship with the Company not due to a breach attributable to the senior executive, for a maximum amount equal to EUR 2,346 thousand.

10. Average period of payment to suppliers.

The average period of payment is as follows:

	Thousands of euros	
	2023	2022
Average period of payment to suppliers	99	102
Ratio of transactions paid	92	96
Ratio of transactions payable	118	119

	Thousands of euros	
	2023	2022
Total payments made	1,353,079	1,297,802
Total payments pending	451,977	406,830

These figures relate to projects in multiple regions. With respect to Spanish suppliers, the Company may, as an exception, exceed the stipulated due dates in cases of invoices that do not comply with the terms of the agreement because they are not officially fulfilled, due to guarantees not being received or due to breach of other obligations of suppliers under the signed service agreement or order, or other reasons related to the normal performance of the transaction.

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

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

Number (units)	2023	2022
Invoices paid prior to compliance with the maximum legal period for payment to suppliers	63,154	21,053
Percentage out of total number of supplier invoices	73%	56%
Volume (thousands of euros)	**2023**	**2022**
Invoices paid prior to compliance with the maximum legal period for payment to suppliers	428,523	440,696
Percentage out of total number of supplier invoices	32%	34%

11. Significant events after the reporting period.

No significant events that need to be disclosed had taken place at the date of formulation of the consolidated financial statements.

12. Treasury Shares

At 31 December 2023, treasury shares represented 2.76% of the Company's share capital (2022: 3.96%), and totalled 2,219,634 shares (2022: 2,213,972 shares), with a weighted average price of EUR 33.26 per share (2022: EUR 32.96 per share).

13. Financial instruments

See Note 7 to the financial statements.

<u>Non-financial information of the Técnicas Reunidas Group, to which the Company belongs:</u>

In accordance with Spanish Law 11/2018, of 28 December, and by virtue of the new wording of section 262.5 of the Commercial Code, the Company is not required to present the Statement of Non-Financial Information, as this information is included in the Consolidated Directors' Report of the Técnicas Reunidas Group, the head of which is Técnicas Reunidas, S.A., and that will be filed, together with the Consolidated Financial Statements, with the Commercial Registry of Madrid.

<u>Corporate Governance Report and Directors Remuneration Report</u>

The Técnicas Reunidas Annual Corporate Governance Report and the Directors Remuneration Report for 2023 form part of the Directors' Report and are available on the website of the Spanish National Securities Market Commission and on the Técnicas Reunidas, S.A. website from the date of publication of the financial statements.