consolidated financial

statements, management report and audit report 2010

TECNICAS REUNIDAS

TECNICAS REUNIDAS

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES

Consolidated annual accounts for the year ended December 31, 2010
and 2010 Directors' Report

Free translation of the consolidated annual accounts originally issued in Spanish and prepared in accordance with International Reporting Standards as adopted by the European Union. In the event of a discrepancy, the Spanish language version prevails.

CONTENTS OF THE CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES

2010 can be considered an all-round success as TR yet again managed to expand its customer base, bringing new clients into the fold, while providing new services to some of the Group's longest-standing customers. Meanwhile the Group entered new markets while bolstering demand in more familiar markets. Técnicas Reunidas continues to predicate its growth on the highest-growth customers and markets, particularly those looking for differentiated services.

In 2010, TR reinforced its position above all in the Persian Gulf, the Mediterranean Basin and Latin America. All these markets throw up major opportunities thanks to their need to invest heavily in economic modernisation and development.

Revenue in this business segment rose 2% year-on-year in 2010 to €2.15 billion, accounting for 77% of the Group total.

a) Refining and petrochemicals

- At the beginning of the year, Tüpras hired Técnicas Reunidas to engineer and build the Izmit refinery modernisation project in Turkey. The contract was signed under an open book arrangement, with scope for conversion to a lump sum turnkey regime at a later stage. The project encompasses the hydrocracker, vacuum, coker, naphtha hydrogenation, diesel desulfurization, hydrogen, sulphur recovery, amine regeneration and sour water stripping units. TR had already worked for Tüpras in the past on a long-term basis, having also worked on an earlier project at the Izmit refinery. This project is an important milestone for the Group, not only in terms of client investment volumes, the project's technical complexity and the resultant geographic diversification of the pipeline, but because it demonstrates the satisfaction and loyalty of TR's clients.
- Also during 1Q10, Petroperú awarded TR the contract for the modernisation of the Talara refinery. This contract was also signed under an open book arrangement, convertible to turnkey. The project encompasses, on the one hand, the extension and revamping of existing processing units such as the distillation, FCC and vacuum distillate units, as well as the construction of new processing units, including a diesel hydrotreater, an FCC naphtha hydrotreater, a new vacuum, a flexicoker, a naphtha hydrotreater, catalytic reforming unit, hydrogen plant, sulphuric acid recovery plant, amine plant and a cogeneration unit. The project also entails the extension and revamping of auxiliary services. This project is strategic to TR because the Talara flexicoker will be only the seventh of its kind in the world and the second built by TR, making it the second company in the world to design this class of technologically advanced unit. With this, TR has reinforced its global positioning as a supplier of top-end refining technological know-how. This project also implied a qualitative leap in terms of the size of contracts awarded to TR in the region. The fact that Petroperu chose TR for one of its most important projects highlights, once again, TR's international reputation and unique positioning vis-à-vis upcoming investment projects in Latin America.
- In 3Q10, Saudi Aramco awarded TR one of the main projects at the Yanbu refinery in Saudi Arabia. This turnkey contract entails the engineering, procurement and construction of a coking unit with 114,463 bpd capacity to process vacuum residue from Arabian heavy crude oil and a small stream of heavy hydrocracker purge. Additionally, TR will construct a mercaptan removal unit of 12,000 bpd LPG treatment capacity. This will be one of the biggest delayed coking units in the world, providing Técnicas Reunidas with the opportunity to participate in a very high-tech project and marking the seventh contract awarded to TR by Saudi Aramco.

The rest of the projects in the backlog, awarded prior to 2010, progressed as scheduled. Each project made satisfactory progress. At year-end, the most advanced projects, and therefore those closest to delivery, were the crude distillation unit for the Mohammedia de Samir refinery in Morocco, the Cartagena refinery for Repsol in España, the Sines refinery for Galp in Portugal and the Khabarovsk refinery for OC Alliance in Russia.

Meanwhile, the projects completed and delivered to the end client, meeting all specifications, included the refinery units for Pemex in Mexico and the alkylation unit for Enap in Chile.

b) Natural gas & upstream

2010 was an important year for the natural gas & upstream division in terms of new contract wins. TR was awarded new projects by existing clients (ADNOC, Repsol and Mejillones) in markets with which the Group is very familiar (Abu Dhabi, China and Chile). In addition, the Group landed new clients (BG, Pan American Energy and CNOOC) and penetrated new markets (Bolivia) while re-penetrating former markets (China). These new project wins highlight the Group's ability to diversify its project book, establishing itself as a top contractor in the international gas production arena.

- In 2Q10, Abu Dhabi Gas Development Company awarded Técnicas Reunidas a contract for the turnkey development of a Shah gas field in Abu Dhabi (United Arab Emirates). The contract was signed by a consortium made up of TR and India's Punj Lloyd. TR will act as project leader and holds majority voting rights in the consortium. The scope of the project includes: the design and detailed engineering, supply of all equipment and material, construction, start-up and preservation of all the related works for the pipelines interconnecting the wells and the central processing facilities, including well pads and the receiver station. The Shah gas field development is a highly complex project, due to the fact that the gas is exceptionally sour. Importantly, this is the third project awarded to TR by ADNOC, demonstrating the close relationship between TR and the client.
- At the end of June, Repsol YPF, along with the latter's partners, British Gas and Pan American Energy, awarded Técnicas Reunidas a project for the development of a 6 million mcd gas processing plant at the Margarita gas field in Bolivia.
  This is a turnkey assignment, the first phase of which will entail the design and detailed engineering, supply of all equipment and material, construction and start-up of the gas processing plant's facilities. With this project, Técnicas Reunidas is disseminating its know-how to new clients while showcasing the trust placed in it by one of its longest-standing clients, Repsol.
- In 4Q10, the Guangdong Zhuhai Golden Bay LNG consortium, lead by China National Offshore Oil Corporation (CNOOC), awarded TR a contract for the development of a new liquid natural gas (LNG) facility in Zhuhai in the province of Guangdong in the People's Republic of China. The project encompasses the erection of three LNG tanks with a capacity of 160,000 cubic metres each and a LNG terminal that will produce 3.7 million tons a year. The construction of the facility will take 3 years.
  The contract awarded to TR, in joint venture with Tianchen Engineering Corporation (TCC), involves the design, supply and construction of the three LNG tanks under a Lump Sum Turnkey (LSTK) scheme and additionally, the engineering of the LNG terminal. This is a significant project for TR as it marks the first award in China in the last decade. The Group established a foothold in the country in 1980s when it developed over 20 facilities; however, today the barriers to entry are more challenging.
- In November, GNL Mejillones, a consortium comprising GDF-Suez and Codelco, awarded TR a contract for the construction of an LNG tank in Mejillones, Antofagasta in northern Chile. This lump sum turnkey project encompasses the design and construction of an LNG storage tanker and the connections to the regasification terminal. The tanker to be built is large-scale, with capacity of 175,000m^3, larger than any in Spain. Project challenges include the total contention technology to be deployed in order to maximise operational performance and safety standards. The design must also meet stringent specs deriving from the tanker's geographic locations in one of the areas of greatest seismic activity and intensity in the world. This is the second project awarded by this client, underscoring client satisfaction with the Group's services and reinforcing its positioning in the Chilean market.

The project making the greatest progress in 2010 was the Shahil and Shah field development project for ADNOC (Abu Dhabi Oil Company) in Abu Dhabi. Meanwhile, towards the end of the year, the Group completed the Medgaz pipeline project in Algeria.

Power

In 2010, the power market continued to reel from the effects of the economic crisis as these projects are more exposed to GDP growth, and consumer spending by extension. However, the driving forces vary by region and energy source. As these projects are generally shorter term, with the exception of nuclear energy plants, they can be more easily adapted to prevailing market circumstances. Against this backdrop, in the mature Spanish market, there were no significant new investments (nor are any foreseen); in contrast, however, the international combined cycle power plant segment came back to life. Since 2007, the Group has been strategically and systematically expanding its combined cycle offering abroad and considers itself well positioned for the award of new investments in the pipeline. The Group has also noted growing interest and demand for nuclear power plant services. This segment is coming to the fore internationally and Técnicas Reunidas has the experience and know-how to develop projects of this nature.

Revenue at this division climbed 15% over 2009, driven mainly by progress on the Moerdijk combined cycle power plant for Essent in the Netherlands, the Manifa power generation plant for Saudi Aramco in Saudi Arabia and the Granadilla combined cycle power plant for Endesa in Spain. Projects completed and delivered on satisfactory terms to the Group's clients included the Montoire combined cycle plant for Gaz de France in France, the Besos combined cycle facility for Endesa in Spain and the Puerto de Barcelona combined cycle power plant for Gas Natural, awarded to the Group in joint venture with General Electric.

In 2010 Técnicas Reunidas continued to flesh out its business strategy in the high-potential nuclear power segment.

In 2010, TR, through Group investee Empresarios Agrupados, continued to provide engineering support services to three operating nuclear power plants in Spain and made further progress on the following projects underway in Spain and abroad:

- Participation in the engineering work for the Lungmen (Taiwan) NPP for the Taiwan Power Corporation (TPC), encompassing two 1,360 MW ABWRs (advanced boiling water reactors), in joint venture with General Electric Nuclear Energy.
- ITER experimental fusion reactor. Preparation of the technical specifications for the Fusion for Energy (the ITER experimental reactor) tender (under a design and build scheme) for the manufacture of the PF coils to be included in the ITER facility in Cadarache (France).
- Participation in the Taishan NPP project in the province of Guangdong, China, working for the consortium made up of Areva and two CGNPC subsidiaries, China Nuclear Power Engineering Company (CNPEC) and China Nuclear Power Design Company (CNPDC). This project includes the design and construction of the two EPR units.
- Participation in the Fennovoima Oy project in Finland for the consortium comprising Voimaosakeyhtiö SF and E.ON Kärnkraft Finland..
- Collaboration on the engineering development and design of the new passive 1,550 MW third-generation ESBWR (economical simplified boiler water reactor) reactor for General Electric-Hitachi (GEH). The services included supporting GEH in obtaining ESBWR design certification from the US Nuclear Regulatory Commission (NRC) and applying for the Combined Construction and Operation Licence (COL) for specific US plant projects to be equipped with an ESBWR reactor.
- Participation in a number of R&D projects under the umbrella of the EU's sixth and seventh Framework Programmes related to the development of the nuclear power plants of tomorrow within the international program for the development of Gen IV reactors to be operational within a time horizon of 30 years.
- Management of the project for dismantling Block V-1 of the Bohunice NPP in Slovakia. London-based EBRD is to provide the project financing.
- Management of the Project Management Unit, financed by London-based EBRD, for the design, permitting and site selection for the construction of a low and medium radioactive waste storage and conditioning facility in Bulgaria.

Infrastructure

The Group's infrastructure division operates mainly on a local basis. Generally speaking, these projects tend to be closely tied to public investing. In 2010, the heightened economic crisis in Spain had a negative impact on business volumes. As a result, no projects of meaningful scale were awarded during the year. However, there are business opportunities abroad, mainly in desalinisation facilities in the Group's regular markets, where new growth challenges have been identified.

The order book in this division, which includes airport infrastructure, industrial facilities, desalinisation and water treatment plants and other projects for public authorities, made satisfactory progress.

In 2010 revenue from the infrastructure division amounted to €222 million. This biggest contributing project was the desalinisation plant in Perth for the Water Corporation of Western Australia.

José Lladó
President

Juan Lladó
Vicepresident

Free translation of the auditor's report on the consolidated annual accounts originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the Shareholders of Técnicas Reunidas, S.A.

We have audited the consolidated annual accounts of Técnicas Reunidas, S.A. (Parent Company) and its subsidiaries (the Group), consisting of the consolidated balance sheet as at 31 December 2010, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes to the consolidated annual accounts for the year then ended. As explained in Notes 1 and 2.1, the directors of the company are responsible for the preparation of these consolidated annual accounts in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the financial reporting framework applicable to the group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed in accordance with the legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

In our opinion, the accompanying consolidated annual accounts for 2010 present fairly, in all material respects, the consolidated financial position of Técnicas Reunidas, S.A. and its subsidiaries at 31 December 2010 and the consolidated results of its operations and the consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the applicable financial reporting framework.

The accompanying consolidated directors' Report for 2010 contains the explanations which the parent company's directors consider appropriate regarding the group's situation, the development of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the consolidated directors' Report is in agreement with that of the consolidated annual accounts for 2010. Our work as auditors is limited to checking the consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of Técnicas Reunidas, S.A. and its subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Rafael Pérez Guerra
Partner

28 February 2011

Free translation of the consolidated annual accounts originally issued in Spanish and prepared in accordance with International Reporting Standards as adopted by the European Union. In the event of a discrepancy, the Spanish language version prevails.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010

CONSOLIDATED BALANCE SHEET
(Thousands euro)

	Note	At 31 December	
		2010	**2009**
ASSETS			
Non-current assets			
Property, plant and equipment	6	31,036	27,819
Goodwill	7	1,242	1,242
Other intangible assets	7	46,641	43,676
Investments in associates	8	7,462	12,191
Deferred tax assets	29	24,464	22,696
Available-for-sale financial assets	9	349	3,951
Derivative financial instruments	10	3,749	808
Receivables and other assets	13	4,963	3,193
		119,906	**115,576**
Current assets			
Inventories	12	17,644	19,553
Trade and other receivables	11	2,014,997	1,235,204
Receivables and other assets	13	29,179	26,591
Derivative financial instruments	10	12,406	23,897
Financial assets at fair value through profit or loss	14	68,011	31,519
Cash and cash equivalents	15	518,801	791,216
		2,661,038	**2,127,980**
Total assets		**2,780,944**	**2,243,556**

Notes 1 to 39 and Exhibits I to IV are an integral part of these consolidated annual accounts

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010

CONSOLIDATED BALANCE SHEET
(Thousands euro)

	Note	At 31 December	
		2010	2009
EQUITY			
Capital and reserves attributable to owners of the parent			
Share capital	16	5,590	5,590
Share premium	16	8,691	8,691
Treasury shares	16	(56,257)	(56,257)
Other reserves	17	1,137	1,137
Hedging reserve		5,779	12,219
Cumulative translation differences	18	(127)	(4,348)
Retained earnings		404,744	379,763
Interim dividend	19	(35,848)	(35,848)
Equity attributable to owners of the parent		**333,709**	**310,947**
Non-controlling interests	19	**7,538**	**6,492**
Total equity		**341,247**	**317,439**
LIABILITIES			
Non-current liabilities			
Borrowings	21	27,037	19,304
Derivative financial instruments	10	393	279
Deferred tax liabilities	29	6,762	5,808
Other payables	20	1,335	1,413
Other liabilities		2,271	2,274
Employee benefit obligations	22	5,823	5,713
Provisions for liabilities and charges	23	18,221	24,532
		61,842	**59,323**
Current liabilities			
Trade payables	20	2,241,000	1,771,826
Current tax liabilities		44,003	34,798
Borrowings	21	34,283	6,965
Derivative financial instruments	10	10,285	9,295
Other payables	20	41,702	39,672
Provisions for liabilities and charges	23	6,582	4,238
		2,377,855	**1,866,794**
Total liabilities		**2,439,697**	**1,926,117**
Total equity and liabilities		**2,780,944**	**2,243,556**

Notes 1 to 39 and Exhibits I to IV are an integral part of these consolidated annual accounts

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010

CONSOLIDATED INCOME STATEMENT
(Thousands euro)

	Note	Year ended 31 December	
		2010	2009
Revenue	24	2,771,366	2,634,282
Change in inventories		2,069	1,390
Own work capitalised		4,538	16,726
Raw materials and consumables		(1,909,121)	(1,823,378)
Employee benefit expense	26	(334,830)	(313,302)
Depreciation/amortisation and impairment charges	6 & 7	(7,362)	(6,872)
Lease and royalty expenses	27	(60,599)	(61,266)
Other operating expenses	25	(313,078)	(299,190)
Other operating revenues	25	2,561	651
Operating profit		**155,544**	**149,041**
Finance income	28	13,959	16,148
Finance expenses	28	(7,610)	(3,325)
Share in (loss) of associates	8	(2,032)	(1,096)
Profit before tax		**159,861**	**160,768**
Income tax expense	29	(61,929)	(15,368)
Profit for the year		**97,932**	**145,400**
Attributable to:			
Owners of the parent		**103,865**	**145,799**
Non-controlling interests	19	(5,933)	(399)
		97,932	**145,400**
Earnings per share (expressed in euro per share)			
- Basic and diluted	30	1.91	2.68

Notes 1 to 39 and Exhibits I to IV are an integral part of these consolidated annual accounts

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Thousands euro)

	Note	Year ended 31 December	
		2010	2009
Profit for the year		**97,932**	**145,400**
Other comprehensive income:			
Cash flow hedges	10	(6,440)	21,493
Foreign currency translation differences	18	4,664	(3,298)
Actuarial gains on post-employment benefit obligations		434	-
Other comprehensive income, net of tax		**(1,342)**	**18,195**
Total comprehensive income for the year		**96,590**	**163,595**
Attributable to:			
Owners of the parent		**102,080**	**164,775**
Non-controlling interests		(5,490)	(1,180)
Total comprehensive income for the year		**96,590**	**163,595**

The amounts shown in the above statement of other comprehensive income are presented net of tax. The income tax effect of each component of other comprehensive income is broken down and disclosed in Note 29.

Notes 1 to 39 and Exhibits I to IV are an integral part of these consolidated annual accounts

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Thousands euro)

	Attributable to owners of the parent								Non-controlling interests (Note 19)	Total equity
	Share capital (Note 16)	Share premium (Note 16)	Treasury shares (Note 16)	Other reserves (Note 17)	Hedging reserve (Note 10)	Cumulative translation differences (Note 18)	Retained earnings	Interim dividend (Note 19)		
Balance at 1 January 2009	**5,590**	**8,691**	**(55,644)**	**1,137**	**(9,274)**	**(1,831)**	**304,031**	**(34,762)**	**7,672**	**225,610**
Comprehensive income										
Profit for the year, 2009	-	-	-	-	-	-	145,799	-	(399)	145,400
Other comprehensive income										
Cash flow hedges, net of tax	-	-	-	-	21,493	-	-	-	-	21,493
Foreign currency translation differences	-	-	-	-	-	(2,517)	-	-	(781)	(3,298)
Total other comprehensive income	-	-	-	-	**21,493**	**(2,517)**	-	-	**(781)**	**18,195**
Total comprehensive income	**-**	**-**	**-**	**-**	**21,493**	**(2,517)**	**145,799**	**-**	**(1,180)**	**163,595**
Transactions with owners										
Transactions in treasury shares, net	-	-	(613)	-	-	-	-	-	-	(613)
Distribution against 2008 profit	-	-	-	-	-	-	(70,067)	34,762	-	(35,305)
Interim dividend against 2009 profit	-	-	-	-	-	-	-	(35,848)	-	(35,848)
Other movements	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	**-**	**(613)**	**-**	**-**	**-**	**(70,067)**	**(1,086)**	**-**	**(71,766)**
Balance at 31 December 2009	**5,590**	**8,691**	**(56,257)**	**1,137**	**12,219**	**(4,348)**	**379,763**	**(35,848)**	**6,492**	**317,439**

Notes 1 to 39 and Exhibits I to IV are an integral part of these consolidated annual accounts

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Thousands euro)

	Attributable to owners of the parent									
	Share capital (Note 16)	Share premium (Note 16)	Treasury shares (Note 16)	Other reserves (Note 17)	Hedging reserve (Note 10)	Cumulative translation differences (Note 18)	Retained earnings	Interim dividend (Note 19)	Non-controlling interests (Note 19)	Total equity
Balance at 1 January 2010	**5,590**	**8,691**	**(56,257)**	**1,137**	**12,219**	**(4,348)**	**379,763**	**(35,848)**	**6,492**	**317,439**
Comprehensive income										
Profit for the year, 2010	-	-	-	-	-	-	103,865	-	(5,933)	97,932
Other comprehensive income										
Cash flow hedges, net of tax	-	-	-	-	(6,440)	-	-	-	-	(6,440)
Foreign currency translation differences	-	-	-	-	-	4,221	-	-	443	4,664
Actuarial gains on post-employment benefit obligations	-	-	-	-	-	-	434	-	-	434
Total other comprehensive income	**-**	**-**	**-**	**-**	**(6,440)**	**4,221**	**434**	**-**	**443**	**(1,342)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(6,440)**	**4,221**	**104,299**	**-**	**(5,490)**	**96,590**
Transactions with owners										
Transactions in treasury shares, net	-	-	-	-	-	-	-	-	-	-
Distribution against 2009 profit	-	-	-	-	-	-	(72,782)	35,848	-	(36,934)
Interim dividend against 2010 profit	-	-	-	-	-	-	-	(35,848)	-	(35,848)
Other movements	-	-	-	-	-	-	(6,536)	-	6,536	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(79,318)**	**-**	**6,536**	**(72,782)**
Balance at 31 December 2010	**5,590**	**8,691**	**(56,257)**	**1,137**	**5,779**	**(127)**	**404,744**	**(35,848)**	**7,538**	**341,247**

Notes 1 to 39 and Exhibits I to IV are an integral part of these consolidated annual accounts

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010

CONSOLIDATED CASH FLOW STATEMENT
(Thousands euro)

	Notes	Year ended 31 December	
		2010	2009
Cash flows from operating activities			
Profit for the year		97,932	145,400
Adjustments:			
- Taxes	29	61,929	15,368
- Depreciation/amortisation of PPE and intangible assets	6 & 7	7,362	6,872
- Change in provisions, net		2,970	(1,882)
- Share in (loss) of associates	8	2,032	1,096
- Change in fair value of financial instruments	28	(418)	(1,463)
- Interest income	28	(11,535)	(8,295)
- Interest expense	28	7,610	3,325
- Change in gains/losses on derivatives	10	3,876	(17,243)
- Exchange gains/losses	28	(2,006)	(6,243)
Changes in working capital			
- Inventories		1,909	(5,883)
- Trade and other receivables		(785,295)	187,055
- Other financial assets		(38,697)	(9,218)
- Trade payables		471,178	12,699
- Other accounts payable		(14,550)	4,296
- Other changes		4,004	(3,298)
Other operating cash flows:			
- Interest paid		(7,380)	(2,891)
- Interest received		10,253	7,924
- Tax paid		(36,579)	(12,500)
Net cash generated from operating activities		**(225,405)**	**315,119**
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(9,402)	(3,562)
Purchases of intangible assets	7	(4,994)	(17,061)
Acquisition of associates	8	(2,000)	(1,758)
Acquisition of other non-current assets		-	-
Disposal of non-current assets		7,347	2,101
Net cash used in investing activities		**(9,049)**	**(20,280)**
Cash flows from financing activities			
Proceeds from borrowings		36,183	4,288
Repayment of borrowings		(1,362)	(41,570)
Dividends paid	19	(72,782)	(70,067)
Acquisition of treasury shares	16	-	(613)
Net cash used in financing activities		**(37,961)**	**(107,962)**
Net (decrease)/increase in cash and cash equivalents		**(272,415)**	**186,877**
Cash and cash equivalents at beginning of year		**791,216**	**604,339**
Cash and cash equivalents at end of the year		**518,801**	**791,216**

Notes 1 to 39 and Exhibits I to IV are an integral part of these consolidated annual accounts

Free translation of the consolidated annual accounts originally issued in Spanish and prepared in accordance with International Reporting Standards as adopted by the European Union. In the event of a discrepancy, the Spanish language version prevails.

Notes to the 2010 consolidated financial statements

1. General information

TÉCNICAS REUNIDAS, S.A. (the “Company”) is the Group’s parent. It was incorporated on 6 July 1960 as a limited liability company (“sociedad anónima”). It is entered in the Madrid Companies Register in volume 1407, sheet 129, page 5692. The latest adaptation and amendment of its Articles of Association is registered in volume 22573, section 8, book 0, sheet 197, page M-72319, entry 157.

The registered offices of TÉCNICAS REUNIDAS, S.A. are located at calle Arapiles, 14, Madrid (Spain). The Group is headquartered in Madrid, at calle Arapiles, 13.

The Group’s corporate purpose consists of the performance of all classes of engineering services and the construction of industrial plants, ranging from viability or basic and conceptual engineering studies to turnkey engineering, design and construction of large, complex projects, management of supply, equipment and material deliveries and construction of plants and related or associated services, such as technical assistance, construction supervision, project management, technical management, start-up and training.

Within its engineering services business, the Group operates through a number of business lines, mainly in the refinery, gas and power sectors.

Since 21 June 2006, the shares of Técnicas Reunidas, S.A. have been admitted to trading on the four Spanish stock exchanges and the continuous market and are part of the Ibex35.

The Group’s consolidated annual accounts for 2009 were approved at the Annual General Meeting held on 23 June 2010.

These consolidated annual accounts were authorised for issue by the Board of Directors on 28 February 2011. The directors will submit these consolidated annual accounts to the Annual General Meeting and expect them to be approved without modification.

2. Summary of the main accounting policies

The main accounting policies applied in drafting the accompanying consolidated financial statements are described below.

2.1. Basis of presentation

The Group’s 2010 consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union and approved by European Council Regulations, and which are in force at 31 December 2010, and with all prevailing IFRIC interpretations and company law applicable to companies reporting under EU-IFRS.

The policies indicated below have been applied uniformly to all of the fiscal years presented in these consolidated annual accounts, unless otherwise indicated.

The consolidated financial statements have been prepared on a historical cost basis, with the exception of certain assets that must be carried at fair value under IFRS.

The preparation of consolidated financial statements under IFRS requires the use of certain critical accounting estimates. The use of IFRS also requires that management exercise judgement in the process of applying the Group’s accounting policies. Note 4 discloses the areas that require a higher level of judgement or entail greater complexity, and the areas where assumptions and estimates are significant with respect to the consolidated financial statements.

The figures in these annual accounts are shown in thousand euro, unless explicitly stated otherwise.

2.1.a. New and amended standards and interpretations taking effect for the first time in 2010

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010:

- IFRS 3 (revised), ‘Business combinations’
- IAS 27 (revised), ‘Consolidated and separate financial statements’
- IFRS 1 (revised), ‘First-time adoption of IFRS’
- IFRS 1 (amendment), ‘Additional exemptions for first-time adopters’
- IFRS 2 (amendments), ‘Group cash-settled share-based payment transactions’
- IFRS 5 (amendment), ‘Non-current assets held for sale and discontinued operations’ (and the attendant amendment to IFRS 1, ‘First time adoption of IFRS’)
- IAS 39 (amendment), ‘Eligible hedged items’
- IFRIC 12, ‘Service concession arrangements’
- IFRIC 15, ‘Agreements for the construction of real estate’
- IFRIC 16, ‘Hedges of a net investment in a foreign operation’
- IFRIC 17, ‘Distribution of non-cash assets to owners’
- IFRIC 18, ‘Transfers of assets from customers’

The application of the above-listed new standards, amendments to standards and interpretations did not have a material impact on the consolidated financial statements.

In addition, the Improvements to IFRSs 2007-2009 published by the IASB in April 2009 and adopted by the European Union in March 2010, applicable from 1 January 2010, affects the following standards:

- IAS 1, ‘Presentation of financial statements’
- IAS 7, ‘Cash flow statements’
- IAS 17, ‘Leases’
- IAS 18, ‘Revenue
- IAS 36, ‘Impairment of assets’
- IAS 38, ‘Intangible assets’
- IAS 39, ‘Financial instruments: recognition and measurement’
- IFRS 2, ‘Share-based payments’
- IFRS 5, ‘Non-current assets held for sale and discontinued operations’
- IFRS 8, ‘Operating segments’
- IFRIC 9, ‘Reassessment of embedded derivatives’

Application of these improvements did not have a material impact on the consolidated financial statements.

2.1.b. Standards, amendments and interpretations of existing standards that have not yet entered into force and which the Group has not adopted early

- IAS 24 (amendment), 'Related party disclosures' (applicable for annual periods beginning on or after 1 January 2011).
- IAS 32 (amendment), 'Classification of rights issues' (applicable for annual periods beginning on or after 1 February 2010).
- IFRS 1 (amendment), 'Limited exemption from comparative IFRS 7 disclosures for first-time adopters' (applicable for annual periods beginning on or after 1 July 2010).
- IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement' (applicable for annual periods beginning on or after 1 January 2011).
- IFRIC 19, 'Extinguishing financial liabilities with equity' (applicable for annual periods beginning on or after 30 June 2010).
- Improvements to IFRSs 2010, published by the IASB in May 2010, amending the following standards and interpretations (applicable for annual periods beginning on or after 1 January 2011):

  - IFRS 1, 'First-time adoption of IFRS'
  - IFRS 3, 'Business combinations'
  - IFRS 7, 'Financial instruments: disclosures'
  - IAS 1, 'Presentation of financial statements'
  - IAS 27, 'Consolidated and separate financial statements'
  - IAS 34, 'Interim financial reporting
  - IFRIC 13, 'Customer loyalty programs'

Application of the above improvements in the process of adoption is not expected to have a material impact on the Group's financial statements.

2.1.c. New standards, amendments and interpretations of existing standards issued but not endorsed by the European Union at the date of authorising these annual accounts for issue

At the date of authorising these financial statements for issue, the IASB and IFRS Interpretations Committee had published the following standards, amendments and interpretations, which are pending adoption by the European Union:

- IFRS 9, 'Financial instruments (IAS 39 Phase I)' (applicable for annual periods beginning on or after 1 January 2013).
- IFRS 7 (amendments), 'Disclosures - Transfers of financial assets' (applicable for annual periods beginning on or after 1 July 2011).
- IAS 12 (amendments), 'Deferred tax: recovery of underlying assets' (applicable for annual periods beginning on or after 1 January 2012).

  IFRS 1 (amendment), 'Severe hyperinflation and removal of fixed dates for first-time adopters' (applicable for annual periods beginning on or after 1 July 2011)

The Group is in the process of analysing the impact that these new standards, amendments and interpretations will have on its consolidated financial statements.

2.2. Consolidation

Consolidation scope

At year-end 2010, TÉCNICAS REUNIDAS, S.A. is the parent of a group (the "Group") formed by: TÉCNICAS REUNIDAS, S.A., the parent, and its subsidiaries and associates. The Group also has interests in jointly-controlled entities and temporary joint ventures (hereinafter "UTEs"). Exhibits I, II, III and IV to these notes contain additional information on the entities included in the scope of consolidation.

Group companies hold interests of less than 20% in other companies in which they do not have significant influence.

For the purposes of preparing the consolidated annual accounts, a group is understood to exist when the parent company has one or more subsidiaries, i.e. companies controlled directly or indirectly.

The parent company and certain subsidiaries also have interests in UTEs and consortiums and recognise the relevant assets, liabilities, revenues and expenses on a proportionate basis. Exhibit IV details the Group's UTEs and consortiums.

The consolidation scope changed as follows in 2010:

- Incorporation of Técnicas Reunidas TEC Ltda (Bolivia) on 12 April 2010, a wholly-owned subsidiary of Técnicas Reunidas.
- Incorporation on 2 February 2010 of Master S.A. de Ingeniería y Arquitectura by means of subscription for 6,200 shares representing 40% of the total outstanding (Note 8).
- On 30 June 2010, Técnicas Reunidas S.A. bought additional shares issued by Green Fuel Corporación S.A., raising its stake in this company from 25.07% at year-end 2009 to 36.80% at year-end 2010 (Note 8).
- On 21 December 2010, the Group sold the 27.50% interest held by Técnicas Reunidas Metalúrgicas, S.A. in Productora de Diesel, S.A. (Note 8).

There were no changes to the consolidation scope in 2009.

Subsidiaries

Subsidiaries are all companies over which the Group has the authority to direct financial and operating policies. Control is presumed to exist when the shareholding exceeds 50% of the voting rights or, if less, when other reasons or events demonstrate the existence of control (for example, agreements between shareholders). The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income (Note 2.6).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction evidences an impairment of the asset transferred. Accounting policies of subsidiaries have been adapted where necessary to ensure consistency with the policies adopted by the Group.

Exhibit I provides a breakdown of the identifying details of the subsidiaries included in the scope of consolidation by means of the full consolidation method.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Since revised IAS 27 has come into effect, the Group applies this policy prospectively to transactions occurring on or after 1 January 2010; as a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

Associates

Associates are all entities over which the Group has significant influence but not control. Significant influence is presumed to exist when the shareholding is between 20% and 50% of the voting rights or, when the shareholding is lower, there are events and circumstances which demonstrate the exercise of significant influence. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group’s investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates’ post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s shares of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has assumed commitments or made payments on behalf of the associate.

In a new acquisition of shares of an associate accounted for using the equity method, the additional investment and new goodwill, if any, are determined in the same manner as in the original investment, pro rata for the percentage of equity acquired.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

Exhibit II provides the identifying details of the associates included in the scope of consolidation using the equity method.

Joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. A loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

Exhibit III provides the identifying details of the joint ventures included in the scope of consolidation under the proportionate method of consolidation.

Temporary jointly-controlled entities - UTEs

A temporary joint venture or UTE is an arrangement between companies wishing to collaborate for a specified or unspecified period, during which a job, service or supply is performed or executed.

The UTE's balance sheet and income statement headings are added line by line to the balance sheet and income statement prepared by the venturer pro rata for its ownership interest in the joint venture.

Exhibit IV identifies the UTEs whose financial information is recognised by the companies included in the scope of consolidation.

2.3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (Note 5).

Operating segment accounting policies are the same as the policies applied to prepare the accompanying consolidated financial statements, as described herein.

2.4. Foreign currency transactions

Functional and presentation currency

Items included in the financial statements of each of the Group companies are measured using the currency of the principal economic environment in which the company operates ("functional currency"). The consolidated financial statements are presented in euro, which is the parent company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses are recognised on a net basis in the income statement within finance income or cost, as appropriate.

Group companies

The earnings and financial position of all Group companies (none of which has the currency of a hyperinflationary economy) whose functional currency differs from the presentation currency are translated to the presentation currency as follows:

(i) The assets and liabilities on each balance sheet presented are translated at the closing exchange rate at the balance sheet date;
(ii) Income and expenses for each income statement are translated at average exchange rates;

(iii) Equity items (except profit and loss headings) are translated at the historic exchange rate;
(iv) All resulting exchange differences are recognised as a separate component of other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as securities at fair value through profit and loss are recognised in the consolidated income statement as part of fair value gains or losses. Translation differences on non-monetary financial assets such as securities classified as available-for-sale are deferred in the fair value reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5. Property, plant and equipment

Items of property, plant and equipment are recognised at cost less depreciation and accumulated impairment losses, except for land which is not depreciated.

Historical cost includes expenses directly attributable to purchases of property, plant and equipment.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset only when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset may be reliably determined. All other repair and maintenance expenses are charged to the income statement in the year in which they are incurred.

Land is not depreciated. The depreciation of other assets is calculated on a straight-line basis based on their estimated useful lives and residual values. The estimated useful lives of each asset category are as follows:

Industrial structures and premises	25	-	50	years
Plant and machinery	5	-	10	years
Complex and general installations	12	-	17	years
Furniture and office equipment			10	years
Data-processing equipment			4	years
Vehicles			7	years
Other fixed assets	7	-	10	years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

When the carrying amount of an asset is higher than its estimated recoverable value, the carrying amount is immediately reduced accordingly.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other expenses" or "Other income" in the income statement. Own work capitalised is stated at production cost and recognised as revenue in the income statement.

2.6. Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is assigned to cash generating units (CGUs) for impairment testing purposes. Goodwill is allocated to those CGUs or groups of CGUs expected to benefit from the business combinations in which the goodwill arose, identified according to operating segment.

The recoverable amount of a CGU is the higher of its value in use and its fair value less costs to sell. These calculations use 5-year cash flow projections based on financial budgets approved by management. Cash flows beyond this five-year period are extrapolated at constant growth rates.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the assets' estimated useful lives (4 years).

Costs associated with developing or maintaining computer software programs are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group which are deemed are likely to generate future economic benefits in excess of costs for more than one year are recognised as intangible assets. Direct costs include software developer costs and an appropriate portion of relevant overhead. Capitalised computer software development costs are amortised over the programs' estimated useful lives (4 years).

Concessions

Concessions under construction refer to the administrative authorisations granted by a number of municipal councils to build and operate car parks and other assets for the period of time stipulated in each contract. 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 assets covered by the concession become operational, the concession receipts are recognised as revenues, operating expenses are expensed currently, while the intangible assets are amortised on a straight-line basis over the term of the concession. Project returns are reviewed at each year-end to assess whether or not there is any indication of impairment, i.e., an indication that their value may not be recoverable through the revenues generated while in use.

Research and development expenses

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

- It is technically possible to complete the production of the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset in question for use or sale;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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

2.7. Borrowing costs

Borrowing costs incurred in the construction of a qualifying asset are capitalised during the time needed to complete and ready the asset for its intended use.

2.8. Impairment of non-financial assets

Assets that have indefinite useful lives and goodwill are not subject to depreciation/amortisation and are tested annually for impairment. The Group has not recognised any intangible assets with an indefinite useful life in the balance sheet. The Group reviews the assets subject to depreciation/amortisation at each year-end for events or changes in circumstances which indicate that the carrying amount may not be recoverable.

An impairment loss is recognised when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value of an asset less costs to sell and value in use. Goodwill impairment losses cannot be reversed. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, i.e. cash-generating units. Impairment loss is recognised in the income statement.

The method used to carry out an impairment test at the CGU level is described in Note 7.

2.9. Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit and loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management establishes the classification of investments at initial recognition and reviews the classification at each reporting date. The Group did not have any held-to-maturity investments at either year-end 2010 or 2009.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are recognised initially at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit and losses are recognised initially at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive the attendant cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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

Financial assets at fair value through profit or loss

This category includes two sub-categories: financial assets held for trading and financial assets designated on initial recognition at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedging instruments. Assets in this category are classified as current assets if they are held for trading or are expected to be realised within 12 months from the balance sheet date. These financial assets are subsequently measured at fair value.

Realised and unrealised gains and losses resulting from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the year in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for amounts maturing more than 12 months from the end of the reporting period. This category also includes deposits and guarantees furnished to third parties. Loans and receivables are included in "Trade and other receivables" in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets

This classification relates to non-derivative financial assets that are designated as available for sale or are not included in any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. These financial assets are subsequently measured at fair value. Unrealised gains and losses resulting from changes in the fair value of non-monetary instruments classified as available for sale are recognised in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses on investment securities.

The fair values of listed investments are based on current bid prices. If there is no active market for a financial asset (as in the case of unlisted securities), the Group establishes fair value by using valuation techniques such as analysis of recent transactions between knowledgeable, willing parties involving instruments which are substantially identical, as well as discounted cash flow analysis. In the event that neither of these two methods can be used to estimate fair value, the investments are carried at acquisition cost less any impairment losses.

Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The main criteria used by the Group to identify objective evidence of an impairment loss include: significant financial difficulty of the obligor; breach of contract such as default or delinquency in payments, and the disappearance of an active market for a specific financial asset because of financial issues, among others.

The Group assesses, firstly, whether there is objective evidence of impairment. The loss is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset’s original effective interest rate. The asset’s carrying amount is reduced accordingly and the impairment loss is recognised in the income statement. If, subsequently, an impairment loss diminishes, and this reduction can be objectively attributed to an event occurring after the impairment loss was recognised, the previously recognised impairment is reversed with a credit to the consolidated income statement.

Available-for-sale financial assets

To determine whether equity instruments classified as available for sale are impaired, management assesses whether there has been a significant or protracted decline in the fair value of the securities to below cost. If there is any evidence of impairment of this class of available-for-sale financial assets, the cumulative loss, determined as the difference between acquisition cost and current fair value, less any impairment losses on that financial asset previously recognised in the income statement, is eliminated from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

2.10. Inventories

Inventories are stated at the lower of cost and net realisable value using the specific cost identification method, i.e., only costs incurred which are perfectly allocable to each good carried in inventories are capitalised. Inventories include the cost of certain materials yet to be allocated to projects and costs incurred to submit bids when it is likely or certain that the contract will be secured or when it is known that the costs will be reimbursed or included in the revenues originating from the contract. Cost is calculated as the acquisition price or direct production cost. The cost of inventories includes design costs, raw materials, direct labour, other direct costs and manufacturing overheads (based on ordinary operating capacity), excluding interest expense. The net realisable value is the estimated selling price in the ordinary course of business, less applicable variable cost of sales.

2.11. Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment provisions.

2.12. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

The following expressions are used in the consolidated statement of cash flows, which has been prepared using the indirect method:

- Cash flows: inflows and outflows of cash and cash equivalents (Note 15)

- Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group.

2.13. Share capital

Share capital is represented entirely by ordinary shares classified as equity.

Incremental costs directly attributable to the issue of new shares are presented in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the parent company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the equity holders of the parent until the shares are redeemed, reissued or sold. When these shares are sold or subsequently reissued, any amount received, net of any incremental directly attributable transaction cost and the corresponding income tax effects, is included in equity attributable to the equity holders of the parent.

2.14. Government grants

Government grants are recognised at fair value when there is reasonable assurance that the grant will be collected and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and released to the income statement on a straight-line basis over the expected lives of the related assets.

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

2.15. Trade payables

Trade accounts payable are payment obligations arising from the purchase of goods or services from suppliers in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise they are presented as non-current liabilities. Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method.

2.16. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

2.17. Current and deferred income tax

Tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement unless the tax relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity, as appropriate.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates the positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, recognising provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are only offset if the Group has a legally enforceable right to set off the recognised amounts and when they relate to income taxes levied by the same taxation authority on a single tax subject/entity, or in the event of different tax subjects/entities, when the Group intends to realise the asset and settle the liability on a net basis.

2.18. Employee benefits

Pension and retirement obligations

Some Group entities have assumed commitments to their employees in the form of defined benefit retirement plans (pension awards).

A defined benefit plan is a pension plan under which the amount of the benefit that will be received by an employee at the time of retirement is defined, normally on the basis of one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past-service costs are amortised on a straight-line basis over the vesting period.

Other long-term remuneration obligations

Some Group companies recognise an implicit obligation to provide defined benefits that are treated as non-current remuneration. The right to receive this type of benefit is normally subject to the employee remaining at the company for a certain number of years. The forecast costs of these benefits accrue over the employees' term of employment using an accounting method similar to the one applied to defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the income statement in the year in which they arise. These obligations are assessed on an annual basis by qualified independent actuaries.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or as a result of an offer of termination benefits made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Profit-sharing and bonus plans

The Group recognises a provision when it is contractually bound to make payment.

2.19. Provisions

The Group recognises provisions when it has a present legal or constructive obligation as a result of past events, the settlement of which is expected to result in an outflow of resources and the amount can be reliably estimated. The Group does not recognise provisions for future operating losses although it does recognise provisions for engineering contracts expected to generate losses (Note 2.20).

Provisions are recorded based on the best estimate of the liability payable by the Group, bearing in mind the effects of exchange rate fluctuations on amounts denominated in foreign currency and the time value of money, if the effect of discounting is significant.

2.20. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable on the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. In relation to inventories, the Group recognises revenue and profit/loss when the significant risks and rewards of ownership have been transferred to the buyer. The amount of revenue cannot not be reliably determined until all of the contingencies associated with the sale have been resolved. The Group's bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Administratives contracts

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 method. The price payable by the end customer consists of the direct costs incurred, to which a fixed margin is applied for indirect costs and business profit.

Turnkey engineering projects

When the outcome of a contract cannot be reliably estimated, the relevant revenues are recognised to the extent of the expenses recognised that are recoverable.

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

The Group uses the percentage-of-completion method to calculate the amount to be recognised in a given accounting period. The percentage-of-completion is determined based on a financial assessment of costs of the services performed at the balance sheet date as a percentage of the estimated cost of total services to be performed for each contract.

Contract revenues arising from claims made by the Group against customers or from changes in the scope of the project concerned are included in service revenue when they are approved by the final customer or when it is probable that the Group will receive an inflow of funds.

The Group recognises a receivable for the gross amount owed by customers for work performed under all ongoing contracts for which the costs incurred plus recognised profits (less recognised losses) exceed the amount of progress billings. Interim billings not yet paid by customers and withholdings are included in trade and other accounts receivable.

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

Costs incurred to present bids for construction contracts in Spain and abroad are expensed in the income statement when incurred whenever the contact award is not likely or known on the date these costs are incurred. The cost of submitting bids is included in the cost of the contract when it is likely or certain that the contract will be won, or when it is known that these costs will be reimbursed or included in the revenues originating from the contract.

Service concession arrangements

Revenue from activities performed under concession arrangements are recognised as a function of services rendered at the contractually agreed prices.

Dividends

Revenue from dividends is recognised when the shareholder’s right to receive payment is established.

Interest income

Interest income is recognised using the effective interest method.

2.21. Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities, as appropriate.

Note 10 discloses the fair value of the derivatives designated as hedges. The consolidated statement of other comprehensive income shows the movements in the hedging reserve included in equity.

Cash flow hedges

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

Amounts deferred in equity are transferred to the income statement in the year in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Derivatives not qualifying for hedge accounting

In the case of derivatives not designated as hedging instruments, or which do not qualify for hedge accounting, fluctuations in their fair value at each measurement date are recognised as finance income or cost in the income statement.

2.22. Leases

Asset leases in which the Group acts as lessee and retains substantially all the risks and rewards of ownership of the assets are classed as finance leases. Finance leases are recognised at the inception of the lease term at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The payment obligation under the lease, net of finance charges, is recognised in non-current borrowings, except for the portion falling due within 12 months. The interest component of the finance charge is taken to the income statement over the term of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. 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.

Leases arrangements where the lessor retains substantially all the risks and benefits inherent to ownership of the asset are classified as operating leases. In operating leases where the Group acts as 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 lease term.

2.23. Dividend distribution

The payment of dividends to the Company’s shareholders is recognised as a liability in the Group’s consolidated financial statements in the year in which the dividends are approved by the Company’s shareholders.

2.24. Environmental disclosures

Given the Group companies' lines of business, they have no environmental liabilities, expenses, assets, provisions or contingencies that could be significant with respect to the Group's equity, financial position or performance. For this reason, no specific breakdowns are provided in these notes to the financial statements regarding environmental disclosures.

3. Financial risk management

3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group's Finance Department, Business Units and corporate Treasury Department under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

a) Market risk

a.1) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, particularly to the US dollar (USD) and, to a lesser extent, currencies tied to the USD. There is residual exposure to suppliers operating in other currencies (principally yen, roubles and Australian dollars). Foreign exchange risk arises primarily on future commercial transactions and recognised assets and liabilities.

To manage the foreign exchange risk that derives from future transactions and recognised assets and liabilities, Group companies use forward contracts, in accordance with the hedging policy in place, brokered by the Group's corporate Treasury Department. Foreign exchange risk arises when future transactions and recognised assets and liabilities are denominated in a currency other than an entity's functional currency. The Group's Treasury Department is responsible for managing the net position in each foreign currency using external foreign exchange forward contracts. In addition, the Group tries to hedge exchange rate risk via 'multicurrency' contracts with its customers, segregating the selling price in the various currencies from the foreseen expenses and preserving the projected margins in euro terms.

The Group's risk management policy is based on hedging most highly probable forecast transactions in each of the main currencies during the months the project is scheduled to last. The portion of the 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 Group's business operations means that it is very common to contract transactions with customers in US dollars, while the corresponding costs are habitually denominated in multiple currencies, albeit principally US dollars. If at year-end 2010 the euro had depreciated / appreciated against the US dollar by a hypothetical 10%, leaving all other variables constant, consolidated profit before tax for the year would have been €35,619k / €28,869k higher / lower (at year-end 2009: €19,735k / €22,050k), mainly due to hypothetical gains / losses generated on the revaluation / devaluation of open positions in US dollars.

Meanwhile, if at year-end 2010 the euro had depreciated / appreciated against the US dollar by a hypothetical 10%, equity would have been €34,447k / €28,463k higher / lower (year-end 2009: €4,756k / €3,949k higher / lower); these amounts were calculated based on the changes in profits outlined in the paragraph above and the estimated changes in the value of hedging derivatives recognised in the hedging reserve (all before considering the related tax effects).

The Group also has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. In general, Group policy is to finance its foreign operations with borrowings denominated in the functional currency of that country, so that the open exposure relates only to the equity investment. The following chart shows the balances of the principal exposures in foreign currency as a result of equity investments in foreign operations:

	2010	2009
USD	11,535	16,627
Saudi riyals	615	15,751
Chilean pesos	15,751	-
Mexican pesos	20,969	20,973
Other	1,026	615
Total	**49,896**	**53,966**

a.2) Price risk

The Group is exposed to price risk with respect to equity securities. Exposure to this risk is limited as the investments held by the Group and classified in the consolidated balance sheet at fair value through profit or loss correspond primarily to investments in fixed-income funds which invest in very short-term assets (assets maturing in less than six months and not exposed to interest rate risk) (Note 14). The Group is partially exposed to commodity price risk, basically metals and oil, to the extent that they affect the price of equipment and manufactured materials used in construction projects. In general these impacts are effectively passed on in selling prices by all peer contractors operating in the sector. The Group reduces and mitigates price risk through the policies established by management, which basically consist of accelerating or slowing the rate of placements and selecting the currencies and countries of origin. An additional mechanism used by the Group to mitigate this risk takes the form of contracting formulae containing price resetting clauses for covering possible cost deviations.

a.3) Cash flow interest rate risk

The Group generally attempts to self-finance its projects, establishing invoicing and collection milestones with its clients which cover the payment deadlines committed to with suppliers. This is why the Group presents a significant net cash balance (cash and cash equivalents in excess of borrowings). This means that interest rate risk on liability positions is negligible.

The following table depicts exposure to floating interest at each year-end:

	2010			2009		
	Referenced to Euribor	Other benchmarks	Total	Referenced to Euribor	Other benchmarks	Total
Borrowings	(56,074)	(5,246)	(61,320)	(21,410)	(4,859)	(26,269)
Interest-earning cash and cash equivalents	249,540	269,261	518,801	438,067	353,149	791,216
Net cash position	**193,466**	**264,015**	**457,481**	**416,657**	**348,290**	**764,947**

Based on sensitivity analysis performed on cash and cash equivalents, the impact of a 25 basis point fluctuation (in either direction) in interest rates would imply, at most, an increase / decrease in profit of €1,467k (2009: €1,978k).

b) Credit risk

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

- Assets arising from derivatives (Note 10) and sundry balances including cash and cash equivalents (Note 15).
- Trade and other receivable balances (Note 11).

The derivatives and other instruments arranged with financial institutions included as cash and cash equivalents are contracted with highly prestigious financial entities which carry high credit ratings. Investments in treasury bonds and treasury bond repos also carry high sovereign bond ratings.

In relation to trade accounts receivable it is worth noting that, due to the nature of the business, receivables are highly concentrated among counterparties, mirroring the Group's most important projects. These counterparties are generally state oil companies or multinationals, along with major Spanish energy groups.

These key customers represented 63% of total "Trade receivables" (within Trade and other receivables) at 31 December 2010 (2009: 67%) and are tied to transactions with entities such as those described in the preceding paragraph. As a result, the Group considers credit risk to be very low. In addition to the credit analysis performed before entering into a contract, the global position of trade and other receivables is monitored on an ongoing basis, while the most significant exposures (including exposure to the type of entities mentioned earlier) are monitored at the individual level.

The balance of trade receivables past due but not impaired at 31 December 2010 was €151,014k (2009: €75,468k), and primarily correspond to amounts past due by less than 6 months.

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

c) Liquidity risk

The prudent management of liquidity risk entails maintaining sufficient cash and marketable securities, ensuring available funding in the form of sufficient committed credit facilities and the ability to monetise market positions. Due to the dynamic nature of the underlying businesses, the Group's Treasury Department aims to maintain funding flexibility by keeping credit lines available.

Management monitors rolling forecasts of the Group's liquidity requirements as on the basis of cash flow projections. As mentioned above, the strategy of self-financing projects results in significant net cash balances. Additionally, the Group has credit lines that offer an additional liquidity buffer. Management therefore believes that the Group's liquidity risk is low. The following is a breakdown of the significant liquidity parameters:

	2010	2009
Borrowings (Note 21)	(61,320)	(26,269)
Cash and cash equivalents (Note 15)	518,801	791,216
Net cash balance	457,481	764,947
Undrawn credit lines	63,949	244,370
Total liquidity reserves	**521,430**	**1,009,317**

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts shown in the table correspond to the balances resulting from application of the amortised cost method (carrying amounts), which essentially coincide with the undiscounted forecast cash flows associated with the liabilities. The balances payable within 12 months are equivalent to their carrying amounts, since the effect of discounting them is insignificant.

	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2010				
Borrowings	34,283	4,651	5,826	16,560
Derivative financial instruments	10,285	393	-	-
Trade and other payables	2,282,702	1,335	-	-
Non-accrued interest payable	867	343	1,029	1,012
Total	**2,328,137**	**6,722**	**6,855**	**17,572**
At 31 December 2009				
Borrowings	6,965	-	2,510	16,794
Derivative financial instruments	9,295	279	-	-
Trade and other payables	1,811,498	1,237	176	-
Non-accrued interest payable	373	274	822	952
Total	**1,828,131**	**1,790**	**3,508**	**17,746**

3.2. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to offer existing and prospective customers sufficient capital to guarantee its ability to handle their projects.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders and return capital to shareholders, among other potential initiatives.

The Group monitors capital on the basis of the leverage ratios set out below. This ratio is calculated as debt divided by capital. Debt is calculated as total borrowings. Capital is calculated as equity, as shown in the consolidated accounts. The Group also monitors the ratio of net cash to capital.

	2010	2009
Borrowings – I (Note 21)	(61,320)	(26,269)
Net cash position - II	457,481	764,947
Equity - III	341,247	317,439
% I / III	17.97%	8.28%
% II / III (*)	134.06%	240.97%

(*) The decrease in 2010 reflects mainly the decrease in the Group's net cash position.

Both ratios are within management's acceptable target ranges.

3.3. Fair value estimation

Financial instruments carried at fair value are grouped by valuation method based on the following valuation hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The following table presents the Group's assets and liabilities that are measured at fair value:

At 31 December 2010	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss (Note 14)	68,011	-	-	68,011
Hedging derivatives (Note 10)	-	16,155	-	16,155
Total assets	**68,011**	**16,155**	-	**84,166**
Liabilities				
Hedging derivatives (Note 10)	-	10,678	-	10,678
Total liabilities	-	**10,678**	-	**10,678**

At 31 December 2009	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss (Note 14)	31,519	-	-	31,519
Hedging derivatives (Note 10)	-	24,705	-	24,705
Total assets	**31,519**	**24,705**	-	**56,224**
Liabilities				
Hedging derivatives (Note 10)	-	9,574	-	9,574
Total liabilities	-	**9,574**	-	**9,574**

The fair value of financial instruments that are traded on active markets is based on quoted market prices at the balance sheet date. A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not quoted in an active market (e.g. OTC derivatives) is determined by 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.

If one or more of the significant inputs required to calculate an instrument's fair value are not observable inputs, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- In the case of derivatives the procedure consists of calculating the fair value by discounting the associated future cash flows using the interest rates, exchange rates, volatility and forward price curves prevailing at the reporting date, based on expert financial reports.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no switches between levels in either 2010 or 2009.

4. Critical accounting estimates and judgements

The preparation of the consolidated financial statements in accordance with EU-IFRS requires that management make estimates and judgements that may affect the accounting policies adopted and the amount of related assets, liabilities, revenues, income and the scope of related disclosures. Estimates and assumptions are based, among other aspects, on past experience or other events deemed reasonable in view of the facts and circumstances analysed at the balance sheet date, the result of which forms the basis for estimating the carrying amounts of assets and liabilities that cannot be immediately calculated in any other manner. Actual results may differ from estimated results.

The main estimates applied by Group management are as follows:

Income tax and deferred tax assets

The Group is subject to income tax in many tax jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises tax liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Were changes in the judgements used by management to determine taxable profit to cause the effective tax rate to differ by 10% from management's estimates, the income tax liability recognised would increase / decrease by €40,676k / €8,971k.

The Group's effective tax rate went from 10% in 2009 to 16% in 2010 (Note 29).

In addition, the Group assesses the recoverability of deferred tax assets based on the existence of future taxable income against which these assets may be utilised.

Useful lives of PPE and intangible assets

Group management determines the estimated useful lives and resulting depreciation and amortisation charges for PPE and intangible assets. The useful lives of non-current assets are estimated based on the period over which the asset will generate economic benefits.

At each close, the Group reviews the useful lives of its assets. When changes are identified, the necessary adjustments are made on a prospective basis.

Employee benefits

The present value of employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions made to determine employee benefit costs and obligations include the appropriate discount rate and a growth rate for salaries and other benefits. Other key assumptions for pension obligations are based in part on prevailing market conditions. Any change in these assumptions will have an impact on the amount of the expense and liability recognised in connection with employee benefits. Additional information is disclosed in Note 22.

Accounts receivable and financial assets

The Group makes estimates relating to the collectability of trade receivables for projects affected by ongoing disputes or litigation in progress deriving from acceptance issues regarding executed work or the failure to comply with contractual clauses related to the performance of assets delivered to clients. In addition, the Group makes estimates to evaluate the recoverability of available-for-sale financial assets based mainly on the financial health and short-term business prospects of the investee.

Provisions

Provisions are recognised when it is probable that a present obligation, arising as a result of past events, will give rise to an outflow of resources embodying economic benefits, and the amount of the obligation can be estimated reliably. Significant estimates are required to fulfil the applicable accounting requirements. Group management 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.

Revenue recognition

The Group uses the percentage-of-completion method to recognise revenue. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. This revenue recognition method is applied only when the outcome of the contract may be reliably estimated and it is likely that the contract will generate profits. If the outcome of the contract may not be reliably estimated, revenues are recognised to the extent that costs are recovered. When it is likely that the costs of a contract will exceed the revenues, the loss is immediately recognised as an expense. When applying the percentage-of-completion method, the Group 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 to apply the percentage-of-completion method, or is necessary to re-estimate the expected margin on the project. During the project, the Group also estimates probable contingencies related to any increase in total estimated cost and adjusts revenue recognised accordingly.

Fair value of unlisted financial instruments

The Group calculates the fair value of financial instruments (financial assets and liabilities) that are not traded on an active market through estimates made using a number of methods and assumptions that are based mainly on market conditions at each balance sheet date. The Group has used discounted cash flow analyses for some derivatives not traded on active markets, or other objective evidence of the fair value of the instrument concerned, such as recent comparable transactions or the value of call or put options outstanding at the balance sheet date.

Warranty claims

The Group generally offers 24- or 36-month warranties 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.

These estimates are based on the best information available and circumstances prevailing at 31 December 2010 and 2009 and it is not expected that there will be any relevant changes to these estimates.

5. Segment reporting

The Group classifies its operating segments as follows:

- Oil and gas
- Power
- Infrastructure and industry

Although the Group’s core business is the provision of engineering and construction services, the above-mentioned segment reporting format is presented on the understanding that the attendant business risks and rewards and the specialisation required to complete the projects in these segments, among other differentiating factors, make this segment distinction necessary to provide greatest insight into the business structure. This segmentation additionally reflects the information reviewed by the Board of Directors.

The oil and gas segment focuses on engineering services, supply and construction services relating to oil and chemicals processing and production operations, and activities relating to the entire natural gas production and extraction value chain, i.e. production, processing, storage and transport. Activities in the refining sector range from the construction of refineries to the revamping and expansion of existing refining plants. Units designed and built include basic refining plants, plant conversions and octane improvement projects. The Group designs and builds auxiliary services and other refining units. Petrochemical activities include the design and construction of plants that produce and process monomers, polymers and plastics, chemical plants and fertiliser units. As regards natural gas, the Group mainly designs and builds units used in the extraction and preliminary processing of natural gas, prior to its use in subsequent processes or preparation for export. The Group is highly specialised in regasification and gas transport facilities.

In the power industry, the Group performs consulting, engineering, supply and construction services for a range of electricity generating plants such as conventional thermal plants, combined cycle power plants, gasification integrated with combined cycle, nuclear plants, co-generators, solar, fuel cells, solid waste and biomass technology. The Group also supplies turnkey plants and, at times, performs plant operation and maintenance (O&M) services.

The infrastructure and industry segment executes project work in multiple arenas such as airports, industrial facilities, desalinisation and water treatment plants as well as initiatives for the public authorities and other bodies such as car parks, public spaces and municipal sports centres.

The operating segment analysis is based on an assessment of the segments' operating profit, adjusted for unallocated Group overhead. Also, the Group manages financing and taxation on a centralised basis. As a result, finance income and cost and income tax have not been allocated by segment.

No sales were made between the Group's operating segments in the years presented.

	Oil and gas		Power		Other		Unallocated		Group	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Segment reporting										
Ordinary Revenue	2,153,507	2,104,852	395,071	342,616	222,788	186,814	-	-	**2,771,366**	**2,634,282**
Operating profit	175,575	178,771	40,755	19,025	84	7,161	(60,870)	(55,916)	**155,544**	**149,041**
Net finance income (Note 28)	-	-	-	-	-	-	6,349	12,823	**6,349**	**12,823**
Share in profit (loss) of associates	2,644	300	(4,158)	(1,377)	(518)	(19)			**(2,032)**	**(1,096)**
Profit before tax	-	-	-	-	-	-	159,861	160,768	**159,861**	**160,768**
Income tax expense	-	-	-	-	-	-	61,929	15,368	**61,929**	**15,368**
Profit for the year	-	-	-	-	-	-	97,932	145,400	**97,932**	**145,400**
Assets and liabilities by operating segment										
Assets	2,050,973	1,676,445	320,453	220,717	254,473	233,755	147,583	100,448	**2,773,482**	**2,231,365**
Investments in associates	437	3,608	4,385	5,969	2,640	2,614			**7,462**	**12,191**
Total assets	2,051,410	1,680,053	324,838	226,686	257,113	235,976	147,583	100,841	**2,780,944**	**2,243,556**
Liabilities	1,782,530	1,378,496	281,633	224,476	130,125	117,415	245,409	206,000	**2,439,697**	**1,926,387**
Additions to non-current assets (Notes 6 and 7)	4,194	1,041	-	-	4,555	16,814	5,647	2,768	**14,396**	**20,623**
Other operating segment disclosures										
Depreciation of PPE (Note 6)							6,054	5,567	**6,054**	**5,567**
Amortisation of intangible assets (Note 7)							1,030	1,305	**1,030**	**1,305**
Impairment of trade receivables (Note 11)							5,502	556	**5,502**	**556**

Third-party customer revenue is allocated according to the country where the client is located. This yields the following geographic breakdown:

Revenue from third-party customers	2010	2009
Spain	449,406	571,386
Middle East	1,339,395	1,230,730
Americas	148,712	174,954
Asia	262,688	76,281
Europe	533,168	528,660
Mediterranean	37,997	52,271
	2,771,366	**2,634,282**

Revenue generated in the Middle East correspond to projects performed in Saudi Arabia, Abu Dhabi, Kuwait and Oman; the region labelled the Americas mainly includes projects in Chile and Mexico; Asia includes work in Russia and Australia; European revenues are concentrated in France, Greece, Portugal and the Netherlands, while the Mediterranean region mainly includes projects done in Morocco, Algeria, Egypt and Turkey, among other nations.

Third-party customer revenue in Saudi Arabia, Abu Dhabi and Portugal represented 34%, 13% and 15%, respectively, of the 2010 total (2009: 23%, 21% and 12.5%).

The revenue generated by the Group's top five customers accounted for 59% of the 2010 total (2009: 56%). Revenue generation by customers who individually accounted for over 10% of total consolidated revenue in 2010 amounted to € 947.568mn (2009: €1,275mn).

Sales between segments are carried out at arm's length. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement.

All the assets and liabilities allocated to the operating segments are measured using the same criteria as are outlined in Note 2. These assets and liabilities are allocated by region based on their physical location. The geographic breakdown of assets and investments is as follows:

	Assets		Additions to non-current assets	
	2010	2009	2010	2009
Spain	793,259	657,381	11,576	19,653
Middle East	954,855	858,998	2,031	81
Americas	243,755	265,839	359	393
Asia	174,326	117,260	111	222
Europe	476,594	237,240	974	54
Mediterranean	58,711	50,648	-	-
Total	**2,701,500**	**2,187,366**	**15,051**	**20,403**
Investments in associates	7,305	12,191	-	-
Unallocated	72,139	43,999	490	220
	2,780,944	**2,243,556**	**15,541**	**20,623**

A reconciliation of reportable segment assets and liabilities to total assets and liabilities is provided as follows:

	2010	2009
Reportable segment assets	2,633,361	2,142,715
Unallocated:		
Non-current assets	46,230	44,916
Current assets	101,353	55,925
Total assets per the balance sheet	**2,780,944**	**2,243,556**

	2010	2009
Reportable segment liabilities	2,194,288	1,720,117
Unallocated:		
Non-current liabilities	30,493	31,392
Provisions	23,765	29,855
Current liabilities	194,564	144,753
Total liabilities per the balance sheet	**2,443,110**	**1,926,117**

6. Property, plant and equipment

The analysis of the various items comprising property, plant and equipment is as follows:

Cost	Land and buildings	Plant and machinery	Furniture and equipment	PPE under construction	Other PPE	Total
Balance at 1 January 2009	**1,388**	**19,781**	**27,485**	**2,743**	**4,290**	**55,687**
Additions	-	1,057	2,503	2	-	3,562
Decreases	-	(1,393)	(198)	(45)	(280)	(1,916)
Other movements	-	-	-	-	-	-
Balance at 31 December 2009	**1,388**	**19,445**	**29,790**	**2,700**	**4,010**	**57,333**
Additions	922	5,305	2,001	-	1,173	9,401
Decreases	-	-	-	(129)	-	(129)
Other movements	-	-	-	-	-	-
Balance at 31 December 2010	**2,310**	**24,750**	**31,791**	**2,571**	**5,183**	**66,605**

Accumulated depreciation	Land and buildings	Plant and machinery	Furniture and equipment	PPE under construction	Other PPE	Total
Balance at 1 January 2009	**456**	**7,261**	**14,957**	**-**	**2,120**	**24,794**
Charges	22	1,200	4,235	-	110	5,567
Decreases	-	(743)	(104)	-	-	(847)
Other movements	-	-	-	-	-	
Balance at 31 December 2009	**478**	**7,718**	**19,088**	**-**	**2,230**	**29,514**
Charges	56	2,817	3,114	-	67	6,054
Decreases	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Balance at 31 December 2010	**534**	**10,535**	**22,202**	**0**	**2,297**	**35,568**
Net carrying amount at 1 January 2009	**932**	**12,520**	**12,528**	**2,743**	**2,170**	**30,893**
Net carrying amount at 31 December 2009	**910**	**11,727**	**10,702**	**2,700**	**1,780**	**27,819**
Net carrying amount at 31 December 2010	**1,775**	**14,215**	**9,589**	**2,571**	**2,886**	**31,036**

Land and buildings includes office buildings that are owned by certain Group companies.

Property, plant and equipment under construction relate to the engineering costs arising from the design and construction of a battery and fluorescent tube recycling plant by a Group company. During 2007 the project was interrupted for reasons related to the suitability of the land on which the recycling plant was to be built. The Group believes that these assets are not significantly impaired since it considers that the balance of PPE under construction recognised is recoverable based on the negotiations underway with other entities interested in the project.

Furniture and equipment includes the following amounts in respect of finance leases under which the Group is the lessee:

	2010	2009
Capitalized finance lease cost	5,611	4,245
Accumulated depreciation	(3,030)	(2,907)
Net carrying amount	**2,581**	**1,338**

Finance lease agreements entered into by the Group mainly relate to the acquisition of computer equipment. These contracts have an average term of 3 years. The maturity schedule for the finance lease liabilities is detailed in Note 20.

At 31 December 2010, the Group carried items of property, plant and equipment located outside Spain at a cost of €7,151k (2009: €4,788k), on which accumulated depreciation stands at €4,604k (2009: €3,185k).

The Group's policy is to take out all insurance policies deemed necessary to cover risks that could affect its property, plant and equipment.

7. Goodwill and other intangible assets

An analysis of the various items comprising intangible assets is provided below:

Cost	Development expenses	Concessions	Intangibles under construction	Software and other intangible assets	Subtotal	Goodwill	Total
Balance at 1 January 2009	**-**	**-**	**24,964**	**9,763**	**34,727**	**1,242**	**35,969**
Additions	-	-	16,726	335	17,061	-	17,061
Decreases	-	-	-	-	-	-	-
Other movements	-	1,905	(1,905)	-	-	-	-
Balance at 31 December 2009	**-**	**1,905**	**39,785**	**10,098**	**51,788**	**1,242**	**53,030**
Additions	-	-	4,538	457	4,995	-	4,995
Decreases	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Balance at 31 December 2010	**-**	**1,905**	**44,323**	**10,555**	**56,783**	**1,242**	**58,025**

Accumulated amortisation and impairment losses	Development expenses	Concessions	Intangibles under construction	Software and other intangible assets	Subtotal	Goodwill	Total
Balance at 1 January 2009	**-**	**-**	**-**	**5,607**	**5,607**	**-**	**5,607**
Amortisation charges	-	299	-	1,006	1,305	-	1,305
Decreases	-	-	-	-	-	-	-
Impairment charge	-	-	1,200	-	1,200	-	1,200
Other movements	-	-	-	-	-	-	-
Balance at 31 December 2009	**-**	**299**	**1,200**	**6,613**	**8,112**	**-**	**8,112**
Amortisation charges	-	-	-	1,030	1,030	-	1,030
Decreases	-	-	-	-	-	-	-
Impairment charge	-	-	1,000	-	1,000	-	1,000
Other movements	-	-	-	-	-	-	-
Balance at 31 December 2010	**-**	**299**	**2,200**	**7,643**	**10,142**	**-**	**10,142**
Net carrying amount at 1 January 2009	**-**	**-**	**24,964**	**4,156**	**29,120**	**1,242**	**30,362**
Net carrying amount at 31 December 2009	**-**	**1,606**	**38,585**	**3,485**	**43,676**	**1,242**	**44,918**
Net carrying amount at 31 December 2010	**-**	**1,606**	**42,123**	**2,912**	**46,641**	**1,242**	**47,883**

In 2010 the research and development expense charged to the income statement totalled €2,222k (2009: €873k).

Assets under construction relate to the construction cost of certain assets for which the Group has obtained the operating concession for a specified period. The terms of the service concession agreements are outlined below. The transfer between assets under construction and concessions in 2010 reflects concessions started up during the year.

Software records the ownership and user rights for computer software acquired from third parties. This balance does not include amounts related to the in-house development of software programs.

In 2010, the Group capitalised borrowing costs in connection with financing obtained specifically for the construction of concession assets. Capitalised borrowing costs totalled €688k (2009: €1,175k).

Goodwill impairment testing

Goodwill is assigned to the cash generating unit (CGU) identified as Eurocontrol, S.A., an 80%-owned Group company.

The cash generating unit identified pertains to the business segment designated as “Infrastructure and industry” in Note 5 and its operations are located in Spain.

The Group tested this goodwill at year-end 2010 and year-end 2009. No impairment losses were recognised as a result.

The recoverable amount of the CGU has been determined on the basis of value-in-use calculations. This analysis was based on five-year cash flow projections derived from financial budgets approved by management and a 1% growth rate. This growth rate is based on current plans and the prevailing market situation. The CGU’s terminal value was determined using the constant growth rate mentioned above.

This discount rate used was 9.75% (2009: 9.75%).

The Group considers, based on its current knowledge, that expected changes in the key assumptions mentioned above, on which the recoverable amount calculation is based, will not result in carrying amounts for cash generating units exceeding their recoverable amounts.

Sensitivity analyses have been performed on the key growth and discount rate assumptions used. Assuming no growth of any kind, the cash-generating unit would still not be impaired at a discount rate of 10.5%.

Concessions

The table below details the most significant terms and conditions of the service concession arrangements operated by the Group:

Concession	Term	Remuneration	Redemption
Alcobendas sports complex (**)	50 years	User charges	At end of concession term
San Sebastián de los Reyes sports complex, car park and public spaces (**)	50 years	User charges	The municipal council can opt to extend the concession term to 60 years
Underground car park at Huercal - Overa (Almeria) (*)	30 years	User charges	Subject to successive term extensions
Sports complex at Huercal - Overa (Almeria) (**)	50 years	User charges	At end of concession term
Pulpí underground car park (**)	40 years	User charges	At end of concession term
Alcobendas underground car park (**)	75 years	User charges	At end of concession term

(*) Operative concessions
(**) Concessions under construction

The revenue and profit recognised in the 2010 income statement in respect of concessions under construction was €4,538k and €(622)k, respectively (2009: €16,825k of revenue and €1,872k of profit).

Concession assets under construction have been financed with borrowings amounting to €26,890k (€19,239k at year-end 2009).

Throughout the terms of these concessions, the concessionaire is obliged to repair and maintain the facilities in order to deliver them to the grantor at the end of the concession terms in a perfect state of repair. These expenses are recognised as accrued.

There have been no changes in the service concession arrangements in which the Group has interests. All the above listed concessions are governed by Spain's Contracting with Public Authorities Act.

8. Investments in associates

	2010	2009
Opening balance	**12,191**	**11,529**
Acquisitions	2,000	1,758
Disposals	(4,697)	-
Share of profit/loss	(2,032)	(1,096)
Closing balance	**7,462**	**12,191**

Additions in 2010 relate to an additional €400k investment in Green Fuel Corporación, S.A. and the acquisition of an interest in Master S.A. de Ingeniería y Arquitectura for €1,600k (Note 2.2).

Disposals in 2010 reflect the sale of the Group’s investment in Productora de Diesel, S.A.

The date of presentation of the financial statements of all the associates coincides with the presentation date of the parent company's financial statements. The Group’s interest in its principal associates, all of which are unlisted, is as follows:

Name	Country of incorporation	Assets	Liabilities	% ownership interest
2010				
Empresarios Agrupados, A.I.E.	Spain	7,978	7,228	42.48%
Empresarios Agrupados Internacional, S.A.	Spain	25,629	17,004	42.48%
Layar Castilla, S.A.	Spain	1,673	2	25.39%
Ibérica del Espacio, S.A.	Spain	12,234	9,053	45.73%
Green Fuel Corporation, S.A.	Spain	17,638	16,667	36.80%
Master S.A. de Ingeniería y Arquitectura	Spain	5,534	4,726	40.00%
2009				
Empresarios Agrupados, A.I.E.	Spain	6,705	5,955	42.48%
Empresarios Agrupados Internacional, S.A.	Spain	22,927	16,024	42.48%
Layar Castilla, S.A.	Spain	1,696	2	25.39%
Ibérica del Espacio, S.A.	Spain	9,863	6,780	45.73%
Productora de Diesel, S.A.	Chile	61,760	50,912	27.50%
Green Fuel Corporation, S.A.	Spain	31,613	18,781	25.07%

Name	Country of incorporation	Revenue	Profit/(loss)	% ownership interest
2010				
Empresarios Agrupados, A.I.E.	Spain	19,479	-	42.48%
Empresarios Agrupados Internacional, S.A.	Spain	41,993	1,715	42.48%
Layar Castilla, S.A.	Spain	29	23	25.39%
Ibérica del Espacio, S.A.	Spain	8,246	114	47.46%
Productora de Diesel, S.A.	Chile	17,638	16,677	27.50%
Green Fuel Corporation, S.A.	Spain	22	(13,297)	36.80%
Master S.A. de Ingeniería y Arquitectura	Spain	4,046	(1,415)	40.00%
2009				
Empresarios Agrupados, A.I.E.	Spain	17,949	-	42.48%
Empresarios Agrupados Internacional, S.A.	Spain	35,192	1,335	42.48%
Layar Castilla, S.A.	Spain	29	(32)	25.39%
Ibérica del Espacio, S.A.	Spain	7,714	118	45.73%
Productora de Diesel, S.A.	Chile	9,629	1,134	27.50%
Green Fuel Corporation, S.A.	Spain	1,074	(230)	25.07%

9. Available-for-sale financial assets

Set out below are the movements in this heading:

At 1 January 2009	**4,983**
Purchases	-
Disposals	-
Translation differences	(1,032)
At 31 December 2009	**3,951**
Purchases	-
Disposals	(3,602)
At 31 December 2010	**349**
Less: Non-current	349
Current	**-**

Disposals in the table above in 2010 relate to the sale of the Group's investment in Energía Concón, S.A. (in which it held a 17% interest), generating a gain for the year of €1,193k. The remainder of this balance relates to minor investments in unlisted companies in which the Group does not have significant influence. Due to the fact that these are residual investments in companies that are not material to the Group and the inability to use valuation methods for measurement purposes, these investments are carried at acquisition cost.

No impairment provisions were recognised on available-for-sale financial assets in either 2010 or 2009.

10. Financial instruments

10.1. a. Financial instruments by category

The table below breaks down financial assets (excluding trade and other receivables and cash and cash equivalents) and financial liabilities (excluding trade accounts payable) at 31 December 2010 and 31 December 2009 by nature and category for measurement purposes:

	Balance at 31 December 2010			
Financial assets:	**Financial assets at fair value through profit or loss (Note 14)**	**Available-for-sale (Note 9)**	**Loans and receivables (Note 12)**	**Hedging derivatives (Note 10)**
Nature/category				
Equity instruments	-	349	-	-
Derivatives (Note 10.1.b)	-	-	-	3,749
Other financial assets	-	-	4,963	-
Non-current	**-**	**349**	**4,963**	**3,749**
Equity instruments	-	-	-	-
Derivatives (Note 10.1.b)	-	-	-	12,406
Other financial assets	68,011	-	29,179	-
Current	**68,011**	**-**	**29,179**	**12,406**
Total financial assets at 31/12/2010	**68,011**	**349**	**34,142**	**16,155**

	Balance at 31 December 2010	
Financial liabilities:	**Financial liabilities at amortised cost**	**Hedging derivatives**
Nature/category		
Borrowings (Note 21)	27,037	-
Derivatives (Note 10.1.b)	-	393
Other financial liabilities	3,606	-
Non-current	**30,643**	**393**
Borrowings (Note 21)	34,283	-
Derivatives (Note 10.1.b)	-	10,285
Other financial liabilities (Note 20)	41,702	-
Current	**75,985**	**10,285**
Total financial liabilities at 31/12/2010	**106,628**	**10,678**

	Balance at 31 December 2009			
Financial assets:	**Financial assets at fair value through profit or loss (Note 14)**	**Available-for-sale (Note 9)**	**Loans and receivables (Note 12)**	**Hedging derivatives (Note 10)**
Nature/category				
Equity instruments	-	3,951	-	-
Derivatives (Note 10.1.b)	-	-	-	808
Other financial assets	-	-	3,193	-
Non-current	**-**	**3,951**	**3,193**	**808**
Equity instruments	-	-	-	-
Derivatives (Note 10.1.b)	-	-	-	23,897
Other financial assets	31,519	-	26,591	-
Current	**31,519**	**-**	**26,591**	**23,897**
Total financial assets at 31/12/2009	**31,519**	**3,951**	**29,784**	**24,705**

Financial liabilities:	Balance at 31 December 2009	
	Financial liabilities at amortised cost	Hedging derivatives
Nature/category		
Borrowings (Note 21)	19,304	-
Derivatives (Note 10.1.b)	-	279
Other financial liabilities	3,687	-
Non-current	**22,991**	**279**
Borrowings (Note 21)	6,965	-
Derivatives (Note 10.1.b)	-	9,295
Other financial liabilities (Note 20)	39,672	-
Current	**46,637**	**9,295**
Total financial liabilities at 31/12/2009	**69,628**	**9,574**

10.1. b. Derivative financial instruments

The derivative balances at year-end 2010 and 2009 are as follows:

	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forwards – cash flow hedges	16,155	10,678	24,705	9,574
Total	**16,155**	**10,678**	**24,705**	**9,574**
Non-current	3,749	393	808	279
Current	12,406	10,285	23,897	9,295

Set out below is a maturity schedule in notional terms for the contracts outstanding at 31 December 2010 and 2009:

	Thousands of euros				
	Fair value		Notional maturities		
Instrument type	Balances at year end 2010	Balances at year end 2009	2011	2012	Notional total
Assets	**16,155**	**24,705**	**293,797**	**171,606**	**465,403**
US dollar / euro	13,682	19,275	274,284	171,606	**445,890**
Yen / US dollar	2,473	5,430	19,513	0	**19,513**
Kuwaiti dinar / euro		-			
Liabilities	**10,678**	**9,574**	**179,635**	**39,403**	**219,038**
US dollar / euro	10,197	6,114	147,533	39,403	**186,936**
Rouble / US dollar	-	3,041		-	**-**
Australian dollar / US dollar	400	143	5,633	-	**5,633**
Yen / US dollar	81	276	26,469		**26,469**
Net balance	**5,477**	**15,131**			

Set out below is a maturity schedule in fair value terms for the contracts in force at 31 December 2010 and 2009:

	2010	2011	2012	2013	Total fair value
Total assets, 2010	-	12,406	3,749	-	**16,155**
Total liabilities, 2010	-	10,285	393	-	**10,678**
Total assets, 2009	23,897	808	-	**-**	**24,705**
Total liabilities, 2009	9,295	279	-	**-**	**9,574**

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

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

The after-tax net gains accumulated in equity in connection with foreign currency forward contracts at 31 December 2010 totalled €5,779k (at year-end 2009: €12,219k). These gains and losses are recognised in the income statement in the year or years in which the hedged transaction affects profit or loss. This normally occurs within twelve months of the balance sheet date. In 2010 a net loss of €3,502k (a net gain of €10,607k in 2009) was recognised in the income statement as part of operating profit in this connection.

No material portion of the foreign currency hedges was deemed ineffective in either 2010 or 2009. Gains or losses on any ineffective portion would have been recognised, when they arose, in the income statement as finance income or expense.

11. Trade and other receivables

Set out below is an analysis of this balance sheet heading at year-end 2010 and 2009:

	2010	2009
Trade receivables	1,924,312	1,177,751
Less: provision for impairment of receivables	(10,101)	(4,599)
Trade receivables – net	1,914,211	1,173,152
Other accounts receivable	21,372	3,550
Prepayments	19,191	32,099
Other items	60,223	26,403
Total	**2,014,997**	**1,235,204**

Trade receivables includes €1,202,835k (2009: €721,240k) relating to completed work pending billing, measured on the basis of the accounting criteria set forth in Note 2.20.

There is no significant effect on the fair values of trade and other receivables. Nominal values are considered to approximate fair values and the effect of discounting them is not significant.

The Group's maximum exposure to credit risk at the balance sheet date is the carrying amount trade and other accounts receivable.

At 31 December 2010, trade receivables of €215,141k (2009: €109,979k) were fully performing.

At 31 December 2010, trade receivables of €151,014k (2009: €75,468k) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010	2009
Up to 3 months	75,983	27,306
Between 3 and 6 months	75,031	48,162
	151,014	**75,468**

At year-end 2010, trade receivables of €5,502k (2009: €556k) were impaired and provided for. Movements on the Group provision for impairment of trade receivables are as follows:

	2010	2009
Opening balance	**4,599**	**4,043**
Provision for receivables impairment	5,502	556
Receivables written off during the year as uncollectible	-	-
Closing balance	**10,101**	**4,599**

The carrying amounts of trade receivables, excluding the portion pertaining to work executed pending billing, are denominated in the following currencies:

	2010	2009
Euro	275,920	263,453
US dollars	386,059	134,991
Other currencies	59,498	58,067
Subtotal	721,477	456,511
Completed work pending billing	1,202,835	721,240
Total	**1,924,312**	**1,177,751**

The accumulated balance of revenue and incurred expenses recognised in connection with all contracts in progress at the balance sheet date amounted to €8,453,236k (2009: €7,780,817k) and €747,277k (2009: €727,930k), respectively.

Prepayments received on projects in progress are broken down in Note 20. Withholdings on customer invoices amounted to €56,296k (2009: €61,130k).

12. Inventories

The breakdown of inventory balances is as follows:

	2010	2009
Construction projects in progress	3,712	8,775
Bid presentation costs	10,733	8,522
Materials	3,199	2,256
	17,644	**19,553**

Construction projects in progress capitalise the cost of building a number of assets (mainly car parks), as described in Note 7, in respect of the portions held for sale. Given their characteristics, a significant portion of these assets require over 12 months to ready for sale.

13. Receivables and other assets

	2010	2009
Receivables and other assets (non-current)		
Loans to employees	1,026	552
Deposits and guarantees	3,937	2,641
	4,963	**3,193**
Receivables and other assets (current)		
Loans to venturers in UTEs and joint ventures	26,602	23,974
Interest	2,267	985
Short-term guarantee deposits	310	345
Short-term deposits	-	1,287
	29,179	**26,591**

The loans to venturers in UTEs and joint ventures earn interest at market rates (Euribor + 80bp)

The carrying amounts of receivables and other assets are deemed to approximate their fair value.

The Group's maximum exposure to credit risk at the reporting date is the carrying amount of receivables and other assets.

14. Financial assets at fair value through profit or loss

Set out below is an analysis of this heading showing movements:

	2010	2009
Opening balance	**31,519**	**34,131**
Net additions (disposals) (fair value)	36,492	(2,612)
Closing balance	**68,011**	**31,519**

Listed securities:		
- Investments in short-term fixed income securities	60,926	16,132
- Investments in listed equity securities	7,085	15,387
	68,011	**31,519**

All these financial assets are designated held for trading.

Financial assets at fair value through profit or loss are presented within cash flows from operating activities as part of changes in working capital in the statement of cash flows.

In 2010 the Group invested €40,000k in funds managed by Gestconsult.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in finance income/cost in the income statement (Note 28)

Financial assets at fair value through profit or loss include investments in listed equities and short term fixed income funds and their fair value at 31 December 2010 has been determined by reference year-end market prices. Returns on fixed income securities are tied to trends in eurozone interest rates.

15. Cash and cash equivalents

	2010	2009
Cash at bank and in hand	247,874	350,881
Short-term bank deposits and other cash equivalents	270,927	440,335
	518,801	**791,216**

This heading includes cash (cash in hand and demand bank deposits) and cash equivalents (short-term highly-liquid investments readily convertible into specific amounts of cash within a maximum of three months, the value of which is not subject to significant risks).

The effective average interest rate earned on short-term deposits at banks was 0.53% on euro deposits and 0.33% on US dollar deposits (2009: 0.62% and 0.22%, respectively) and the average deposit term was 10 days (10 days in 2009).

Of total cash and cash equivalents at 31 December 2010, €371,802k (2009: €110,368k) relates to balances recorded by the joint ventures and UTEs included in the consolidation scope, as indicated in Exhibits III and IV, respectively.

There were no cash or cash equivalents with restricted availability at either 31 December 2010 or 31 December 2009.

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

16. Capital

	Share capital	Share premium	Treasury shares	Total
Balance at 1 January 2009	5,590	8,691	(55,644)	**(41,363)**
Purchase of treasury shares			(613)	**(613)**
Balance at 31 December 2009	5,590	8,691	(56,257)	**(41,976)**
Other movements	-	-	-	**-**
Balance at 31 December 2010	5,590	8,691	(56,257)	**(41,976)**

At 31 December 2010 and 2009 the total number of authorised ordinary shares was 55,896,000, each having a par value of €0.10. All issued shares are fully paid up and carry equal voting and dividend rights. There are no restrictions on the transfer of shares.

The movement in treasury shares in 2010 and 2009 is set forth below:

	2010		2009	
	Number of treasury shares	Carrying amount	Number of treasury shares	Carrying amount
Opening balance	1,581,135	56,257	1,581,135	55,644
Additions / purchases	-	-	-	-
Decreases / sales	-	-	-	-
Other movements	-	-	-	613
Closing balance	1,581,135	56,257	1,581,135	56,257

At 31 December 2010 and 2009 treasury shares represented 2.83% of the parent company's share capital. Treasury shares totalled 1,581,135, acquired at an average price of €35.58 per share. The movement in 2009 reflects an accounting adjustment.

Since 21 June 2006, the shares of Técnicas Reunidas, S.A. have been admitted to trading on the four Spanish stock exchanges and the continuous market and are part of the Ibex35 index.

The shareholder structure of Tecnicas Reunidas, S.A. is as follows:

Shareholder	2010		2009	
	No. of shares	% shareholding	No. of shares	% shareholding
Aragonesas Promoción de Obras y Construcciones, S.L.	2,848,383	5.096%	2,848,383	5.096%
Araltec, S.L.	17,882,564	31.99%	17,882,564	31.99%
Bilbao Vizcaya Holding	1,262,162	2.26%	1,453,385	2.60%
BBVA Elcano Empresarial, SCR, S.A.	1,213,533	2.17%	1,397,401	2.50%
BBVA Elcano Empresarial II, SCR, S.A.	1,213,533	2.17%	1,397,401	2.50%
Other shareholders (including free float)	29,894,690	53.48%	29,335,731	52.48%
Treasury shares	1,581,135	2.83%	1,581,135	2.83%
TOTAL	**55,896,000**	**100.00%**	**55,896,000**	**100.00%**

According to a notice filed with the Spanish securities market regulator in November 2009, Mr. José Lladó Fernández-Urrutia holds a direct and indirect shareholding, through ARALTEC S.L. and ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES S.L., in TÉCNICAS REUNIDAS, S.A. of 37.19%.

In addition, under the terms of a shareholder agreement signed by Aragonesas Promoción de Obras y Construcción, S.L., BBVA Elcano Empresarial I, SCR, and BBVA Elcano Empresarial II, SCR, S.A. on 23 May 2006, and subsequently amended on 24 April 2009, specifically the clause stipulating vote pooling, Mr. José Lladó Fernández-Urrutia controls 43.69% of the voting rights in TÉCNICAS REUNIDAS, S.A.

17. Other reserves

The entire balance, at €1,137k (2009: €1,137k), corresponds to the legal reserve. This reserve, which is fully paid in, may not be distributed to shareholders and may only be used to offset income statement losses should sufficient other reserves not be available. It may also be used to increase share capital under certain circumstances.

18. Cumulative translation differences

	Total
1 January 2009	**(1,831)**
Translation differences:	
– Group companies and associates	(2,517)
31 December 2009	**(4,348)**
Translation differences:	
– Group companies and associates	4,221
31 December 2010	**(127)**

A breakdown of cumulative translation differences by company / subgroup at year-end 2010 and 2009 is as follows:

	2010	2009
Company or subgroup		
Damietta LNG Construction (Egypt)	(539)	(595)
Técnicas Reunidas Metalúrgicas, S.A. (Chile)	-	(502)
Técnicas Reunidas Gulf Ltd. (Saudi Arabia)	1,884	(142)
Técnicas Reunidas Omán LLC (Oman)	(506)	(1,270)
Técnicas Reunidas Engineering LLC (Oman)	(40)	(95)
Technip Consortium (TPC) (*) (Vietnam)	(558)	(926)
Other	(368)	(818)
Total	**(127)**	**(4,348)**

(*) Corresponds to a consortium consolidated by the parent company.

19. Dividend distribution and non-controlling interests

The proposed distribution of 2010 profit to be put before the parent company's shareholders in general meeting and the ratified distribution of 2009 profit is set forth below:

	2010	2009
Basis of appropriation		
Profit for the year	87,205	92,780
	87,205	**92,780**
Distribution		
Retained earnings	14,423	19,998
Dividends	72,782	72,782
	87,205	**92,780**

The breakdown of dividends is as follows:

- 2010: The €72,782k dividend consists of the following:
    - A €35,848k interim dividend approved by the Board of Directors on 20 December 2010 and paid on 19 January 2011.
    - A proposed dividend of € 36.934k to be approved at the AGM called to ratify the 2010 annual accounts.
- 2009: The €72,782k dividend consists of the following:
    - A € 35.848k interim dividend approved by the Board of Directors on 15 December 2009 and paid in January 2010.
    - A dividend of €36,934k approved at the AGM held to ratify the 2009 annual accounts.

The following are the provisional accounting and cash statements as of the dates of payment of the interim dividends from 2010 and 2009 profits, as detailed above:

	2010	2009
Estimated profit for the year	110,500	88,300
Estimated income tax	(15,000)	(1,500)
Maximum possible payout	95,500	86,800
Proposed payout	(35,848)	(35,848)
Surplus	**59,602**	**50,952**
Cash balance prior to payout	505,000	712,000
Interim dividend	(35,848)	(35,848)
Cash surplus	**469,152**	**676,152**

Non-controlling interests

Movements in non-controlling interests in 2010 and 2009 are analysed below:

	01/01/2009	Profit (loss)	Trans. diff	31/12/2009	Profit (loss)	Trans. diff	Other movem ents	31/12/2010
Eurocontrol, S.A.	1,820	141	(31)	1,930	150	-	-	2,080
TR Engineering LLC	1,157	684	(630)	1,211	722	548	-	2,481
Other	4,695	(1,224)	(120)	3,351	(6,805)	(105)	6,536	2,977
Total	**7,672**	**(399)**	**(781)**	**6,492**	**(5,933)**	**443**	**6,536**	**7,538**

20. Trade and other payables

a) Trade payables are analysed below:

	2010	2009
Due to suppliers	1,882,806	1,551,051
Prepayments received for contract work	352,401	215,244
Other	5,793	5,531
	2,241,000	**1,771,826**

b) Other payables are set out below:

	2010	2009
Non-current		
Finance lease liabilities	1,335	1,413
Other items	-	-
	1,335	**1,413**
Current		
Finance lease liabilities	228	203
Dividends payable	35,848	35,848
Other items	5,626	3,621
	41,702	**39,672**

Non-current finance lease liabilities fall due as follows:

	2010	2009
Between 1 and 2 years	1,291	1,237
Between 2 and 5 years	44	176
Over 5 years	-	-
	1,335	**1,413**

The above amounts represent minimum lease payments discounted to their present value. Future financial charges under finance leases total €218k (2009: 160k). The Group's finance leases relate to acquisitions of computer equipment and other items of property, plant and equipment.

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

21. Borrowings

	2010	2009
Non-current		
Borrowings	27,037	19,304
	27,037	**19,304**
Current		
Borrowings	34,283	6,965
	34,283	**6,965**
Total borrowings	**61,320**	**26,269**

The average effective interest rates (all floating) at the balance sheet dates are as follows:

	2010		2009	
	Euro	USD	Euro	USD
Borrowings	1.53%	1.33%	1.42%	1.02%

Borrowings totalling €26,890k (2009: 19,239k) fund the construction of concession assets (Note 7). These loans are secured, with the concession assets as collateral.

The carrying amount of borrowings (both current and non-current) approximates their fair value. The borrowings are referenced mainly to floating interest rates, principally Euribor and Libor, with monthly reset clauses.

The carrying amount of the Group's borrowings is denominated in the following currencies:

	2010	2009
Euro	56,074	21,433
US dollars and other currencies	5,246	4,836
	61,320	**26,269**

The Group has the following undrawn credit lines:

Floating rate:	2010	2009
– Maturing in less than one year	63,949	221,397
– Maturing in more than one year	-	22,973
	63,949	**244,370**

22. Employee benefits

At 31 December 2010 and 2009, the Group recognises obligations with its employees in respect of pensions, retirement benefits and non-current remuneration.

Pension and retirement obligations refer to commitments set out in the collective bargaining agreements in place at certain Group companies, relating to retirement awards for employees that have worked for the number of years stipulated in the agreement at the date of retirement.

Non-current remuneration obligations refer to length-of-service awards payable by certain Group companies.

At 31 December 2010 there are no assets linked to the defined benefit commitments with employees.

	2010	2009
Balance sheet commitments:		
Pension and retirement benefits	5,315	5,355
Non-current remuneration obligations	508	358
	5,823	**5,713**
Income statement charges:		
Pension and retirement benefits (Note 26)	404	884
Non-current remuneration obligations (Note 26)	155	46
	559	**930**

Pension and retirement benefits

The amounts recognised in the balance sheet have been calculated as follows:

	2010	2009
Present value of obligations at 1 January	5,355	4,754
Cost of services for the current year	686	624
Interest cost	338	276
Benefits paid and expenses	(444)	(283)
Actuarial gains/(losses)	(620)	(16)
Balance sheet liability	**5,315**	**5,355**

The changes in the liability recognised in the balance sheet are as follows:

	2010	2009
Opening balance	5,355	4,754
Expense charged to the income statement (Note 26)	404	884
Contributions paid	(444)	(283)
Closing balance	**5,315**	**5,355**

The amounts recognised in the income statement are as follows:

	2010	2009
Cost of current services	686	624
Interest cost	338	276
Actuarial gains/(losses)	(620)	(16)
Total included in employee benefit expense (Note 26)	**404**	**884**

The principal actuarial assumptions used are as follows:

	2010	2009
Annual discount rate	4.25%	5.80%
Annual salary growth	3.00%	3.50%
Annual inflation	2.00%	2.00%
Mortality table	PERM/F 2000 Producción	PERM/F 2000 Producción
Retirement age	65 years	65 years

Non-current remuneration obligations

The amounts recognised in the balance sheet have been calculated as follows:

	2010	2009
Present value of obligations at 1 January	358	317
Cost of services for the current year	57	52
Interest cost	24	19
Benefits paid and expenses	(5)	(5)
Actuarial gains/(losses)	74	(25)
Balance sheet liability	**508**	**358**

The changes in the liability recognised in the balance sheet are as follows:

	2010	2009
Opening balance	358	317
Expense charged to the income statement (Note 26)	155	46
Contributions paid	(5)	(5)
Closing balance	**508**	**358**

The amounts recognised in the income statement are as follows:

	2010	2009
Cost of current services	57	52
Interest cost	24	19
Actuarial gains/(losses)	(5)	(25)
Total included in employee benefit expense (Note 26)	**76**	**46**

The actuarial assumptions for this commitment are the same as those used for pension and retirement commitments as they have similar delivery terms.

23. Provisions for liabilities and charges

a) Provisions for liabilities and charges – non-current

Item	Provision for estimated project losses	Provision for project completion	Other provisions	Total provisions for liabilities and charges
Balance at 01/01/2009	**2,787**	**18,245**	**3,109**	**24,141**
Reversals	(117)	(3,916)	-	(4,033)
Write-downs	-	-	-	-
Additions	-	3,238	1,186	4,424
Balance at 31/12/2009	**2,670**	**17,567**	**4,295**	**24,532**
Reversals	(260)	(7,452)	(3,295)	(11,007)
Write-downs	-	-	0	0
Additions	696	-	4,000	4,696
Balance at 31/12/2010	**3,106**	**10,115**	**5,000**	**18,221**

<u>Provision for estimated project losses:</u>

In compliance with IAS 11, the Group recognises provisions for estimated future losses on projects currently in progress.

<u>Provision for project completion:</u>

For projects that are completed or substantially completed and, therefore, are in the warranty period or are close to entering the warranty period, the Group estimates probable costs that will be incurred during the warranty period and records the relevant provision.

The provisions recognised by the Group at year-end 2010 and 2009 relate to the following projects:

Project	2010	2009
Minatitlan refinery	1,000	5,000
Gas plant expansion Ju'aymah	1920	583
Rabigh project	391	2,000
Saih Rawl project	950	1,000
Kayan project	500	1,000
Bouruge project	500	1,000
Other projects	4,854	6,984
Total	**10,115**	**17,567**

<u>Other provisions:</u>

This item relates to provisions for other liabilities and charges, including commitments to pay project partners, provisions for probable risks and provisions for other non-current payments.

As far as non-current provisions are concerned, due to the characteristics of the risks involved it is not possible to determine a reasonable payment timeline.

b) Provisions for liabilities and charges – current

Balance at 1 January 2009	**9,197**
Reversals / write-downs	(5,364)
Additions	405
Balance at 31 December 2009	**4,238**
Reversals / write-downs	(1,484)
Additions	3,828
Balance at 31 December 2010	**6,582**

24. Revenue

	2010	2009
Construction and engineering contract revenue	2,771,278	2,596,761
Services rendered	88	37,521
Total revenue	**2,771,366**	**2,634,282**

Note 5 presents the Group's main business and geographic operating segments.

25. Other expenses and income

	2010	2009
Other expenses		
Services received	259,322	209,681
Independent professional services	18,444	59,567
Repairs and maintenance	5,242	5,835
Banking and similar services	6,198	5,974
Transport expenses	96	101
Insurance premiums	4,634	4,075
Utilities	3,526	3,456
Other	15,616	10,501
	313,078	**299,190**
Other income		
Government grants recognised in income	755	265
Other	1,806	386
	2,561	**651**

The "Other" heading in the table above breaking down other expenses relates mainly to recognitions and reversals of provisions for non-current and current liabilities and charges.

26. Employee benefit expenses

	2010	2009
Wages and salaries, including termination benefits amounting to €2,578k (2009: €3,261k)	289,501	264,992
Social security contributions	44,849	47,380
Pension cost – pension and retirement benefit plans (Note 22)	404	884
Non-current remuneration obligations (Note 22)	76	46
	334,830	**313,302**

27. Operating leases

The Group rents offices under irrevocable operating lease agreements. The related lease terms are between 5 and 10 years and most are renewable at the end of the leaser term at market rents.

Minimum future payments on irrevocable operating leases are as follows:

	2010	2009
Less than 1 year	15,706	16,675
Between 1 and 5 years	15,474	27,920
Over 5 years	154	267

Operating lease expense recognised in the income statement amounted to €60,599k (2009: €61,266k) and corresponds in its entirety to minimum lease payments.

28. Finance income and finance cost

	2010	2009
Finance income		
Interest income from short term bank deposits and other deposits	11,535	8,295
Net gains/losses on changes in the fair value of financial instruments at fair value through profit or loss and other gains / losses	418	1,463
Net foreign exchange gains	2,006	6,390
	13,959	**16,148**
Finance costs		
Interest expense on bank loans and other borrowings	(3,668)	(3,325)
Interest arising on tax assessments (Note 29.1)	(3,942)	-
	(7,610)	**(3,325)**
	6,349	**12,823**

Note 9 sets forth the impact on finance income and cost of foreign currency hedges.

29. Income tax expense

On 30 September 1993, the Spanish tax authorities authorised the following companies to apply the tax consolidation regime: Técnicas Reunidas, S.A., Técnicas Reunidas Internacional, S.A., Termotécnica, S.A., Técnicas Reunidas Construcciones y Montajes, S.A. and Técnicas Reunidas Ecología, S.A. Subsequently, in 1994, Técnicas Siderúrgicas, S.A., Española de Investigación y Desarrollo, S.A. and Técnicas Reunidas Proyectos Internacionales, S.A. were included in the tax consolidation regime. The tax group was enlarged in 1998 to include Técnicas Reunidas Metalúrgicas, S.A. and, in 1999, Layar, S.A., Layar Castilla, S.A. and Layar Real Reserva, S.A. Eurocontrol, S.A. and ReciclAguilar, S.A. were included in 2003 and Initec Plantas Industriales, S.A. and Initec Infraestructuras, S.A. in 2005. In 2007, Layar Castilla, S.A. left the tax group.

	2010	2009
Current tax	25,008	13,031
Deferred tax	(505)	2,337
Outcome of tax assessments (Note 29.1)	37,426	-
	61,929	**15,368**

Income tax expense as a percentage of the Group's pre-tax profit differs from the theoretical amount that would have been obtained had the statutory tax rate applicable to the consolidated companies' profits been applied, as reconciled below:

	2010	2009
Profit before tax	**159,861**	**160,768**
Tax calculated at the tax rate applicable to the parent company's tax income	47,958	48,230
Tax-free earnings	(30,814)	(34,968)
Non-tax deductible expenses	192	2,106
Effect of differences in foreign tax rates	(2,226)	(1,952)
Tax on unrecognised tax losses generated by foreign subsidiaries	9,884	1,315
Deductions applied and non-recoverable withholdings on foreign subsidiaries (net)	(491)	637
Tax expense	**24,503**	**15,368**

The effective tax rate was 16% (10% in 2009), due mainly to the Group's foreign revenues, which are exempt from Spanish income tax in accordance with Law 18/1982 (26 May) on the Tax System for Groupings and UTEs and for Regional Industrial Development Companies. These revenues are included in "Tax-free earnings" in the above table and were generated mainly by UTEs engaged in export activities (see Exhibit IV).

Deferred tax assets and liabilities

	2010	2009
Deferred tax assets		
- to be recovered after more than 12 months	24,464	22,696
- to be recovered within 12 months		-
	24,464	**22,696**
Deferred tax liabilities		
- to be recovered after more than 12 months	(6,762)	(5,808)
- to be recovered within 12 months		-
	(6,762)	**(5,808)**

The movements in deferred income tax assets and liabilities during the year are as follows:

	Assets	Liabilities and equity
Balance at 1 January 2009	**26,563**	**(5,325)**
Charged to the income statement	(8,847)	2,688
Credited to the income statement	6,993	(3,171)
Charged directly to equity	(2,013)	-
Balance at 31 December 2009	**22,696**	**(5,808)**
Charged to the income statement	(3,602)	-
Credited to the income statement	6,009	(954)
Charged directly to equity	(639)	-
Balance at 31 December 2010	**24,464**	**(6,762)**

The origin of recognised deferred tax assets and liabilities is analysed below:

	2010	2009
Unused tax losses carried forward	3,414	3,414
Unused tax credits carried forward	-	-
Tax credits arising from temporary differences:		
- Provisions for liabilities and charges	6,014	7,913
- Other provisions	1,662	-
- Change in current assets	12,795	8,197
- Hedging reserve	204	912
- Other items	376	2,260
	24,465	**22,696**

	2010	2009
Hedging reserve	(238)	(164)
Current assets	(6,524)	(5,644)
	(6,762)	**(5,808)**

The breakdown at year-end 2010 and 2009 of tax losses for which tax assets have been recognised by the year in which they arose is as follows:

Year	Tax loss	Deduction	Usable until
2005	341	102	2020
2008	11,040	3,312	2023
	11,381	**3,414**	

Deferred tax assets in respect of unused tax losses carried forward are recognised to the extent that it is probable that future taxable profit will be available against which the losses can be utilised.

In addition, the Group has €32,947k of accumulated tax losses (tax expense of €9,884k) at year-end 2010 (2009: €4,383k, tax expense of €1,315k) generated by foreign subsidiaries for which the related tax assets have not been recognised.

Deferred taxes generated by transactions that have been directly charged or credited directly to equity in 2010 amounted to a charge of €639k (2009: charge of €2,013k).

The tax charge/credits relating to the items comprising other comprehensive income are set forth below:

	2010			2009		
	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
Cash flow hedges	(5,987)	(453)	(6,440)	23,506	(2,013)	21,493
Foreign currency translation differences	4,664	-	4,664	(3,298)	-	(3,298)
Actuarial gains/(losses)	620	(186)	434			
Other comprehensive income	**(703)**	**(639)**	**(1,342)**	**20,208**	**(2,013)**	**18,195**
Current tax	-	-	-	-	-	-
Deferred tax	-	(639)	-	-	(2,013)	-

At 31 December 2010, the Group had no unused tax credits (2009: €3,367k). In the past, these credits mainly derived from reinvestment, research and development and export credits.

29.1 Outcome of tax assessments

As notified to the stock market regulator in a significant event filing on 10 September 2010, the Spanish tax authorities have concluded the tax inspections of the Group's Spanish companies initiated in 2008. The inspections concluded with the signature by the Group on 13 September 2010 of assessments with respect to income tax for all the years open to inspection.

The agreement reached acknowledges that the transfer prices billed by the Group companies to the UTEs in which it participates in exchange for the use of Group resources need to be increased with respect to those historically billed and accepted. As a result of recalculating taxable profit for the years subject to inspection (2004-2007) in order to reflect the new agreed prices, tax expense increases by €22,561k. The recalculation also gives rise to late interest payments totalling €3,615k.

The Group has proceeded to re-estimate its tax returns for prior years not yet inspected (2008 and 2009) to factor in the new transfer price measurement criteria; as a result the cumulative tax expense payable in those years increases by €13,129k. The same criteria were used to measure transfer prices in 2010.

In addition to the above assessment agreements reached, the Group signed assessments of income tax for the years inspected which generate additional tax expense of €1,736k plus related interest cost of €326k.

Management, in agreement with its advisors, has concluded that the outcome of the tax assessments should be treated as a change in accounting estimates in keeping with IAS 8, 'Accounting policies, changes in accounting estimates and errors'; as a result, the Group recognised the outcome of the tax assessment in its 2010 income statement with a charge to income tax expense under "Outcome of tax assessments" in the amount of €37,426k.

In respect of the unsettled balances corresponding to the 2008 and 2009 tax returns, the Group has recognised the pertinent provision under current tax for the year with a balancing entry to current tax liabilities.

30. Earnings per share

a) Basic

Basic earnings per share is calculated by dividing profit attributable to the equity holders of the parent by the weighted average number of ordinary shares in the year, excluding treasury shares acquired by the parent company.

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of outstanding ordinary shares to reflect the conversion of all potentially dilutive ordinary shares. Given that the parent does not hold any class of potentially dilutive ordinary shares, diluted earnings per share coincides with the basic earnings per share.

	2010	2009
Profit attributable to owners of the parent	103,865	145,799
Weighted average number of ordinary shares outstanding	54,314,865	54,314,865
Basic earnings per share (€ per share)	1.91	2.68

31. Dividend per share

In 2010 the dividends paid against 2009 profits amounted to €72,782k (of which €35,848k was declared in 2009 and paid as an interim dividend), which translates into a dividend per share of €1.34.

In 2009 the dividends paid against 2008 profits amounted to €70,067k (of which €34,762k was declared in 2008 and paid as an interim dividend), which translates into a dividend per share of €1.29.

The dividend against 2010 profits to be submitted to the general meeting called in 2011 to ratify the accompanying consolidated annual accounts is estimated at €72,782k (of which €35,848k was declared in

2010 as an interim dividend), which translates into a dividend per share of €1.34. This per share calculation will be modified on the basis of the treasury shares held on the dividend payment date.

32. Contingencies and guarantees furnished

The Group has contingent liabilities relating to bank sureties and other guarantees granted during the ordinary course of business. The contingent liabilities are not expected to give rise to additional material liabilities other than those already provisioned, as disclosed in Note 23. In the ordinary course of the Group's activities, as is common practice with engineering and construction companies, the Group extended guarantees to third parties totalling €1,724,531k (2009: €1,086,609k) in order to duly guarantee contract delivery.

In accordance with the general terms of contracting, the parent company and Group companies are required to provide technical guarantees for the execution of works, in cash or in the form of bank sureties, which must be upheld for a specified period.

As detailed in Note 21, borrowings totalling €26,890k (€19,239k at year-end 2009) fund the construction of concession assets. These loans are secured by the concession assets (Note 7).

33. Commitments

Capital commitments

Capital expenditure commitments at the balance sheet date are not material.

Operating and finance lease commitments

The Group rents several premises under irrevocable operating lease agreements. These leases have variable terms, segment clauses and renewal rights. The Group is required to provide six months' termination notice on these agreements (Note 27).

The Group's finance lease obligations are detailed in Note 20.

Purchase commitments (suppliers and subcontractors)

The Group has payment commitments to its suppliers in addition to those recognised in trade payables as a result of orders that are still in the drafting or construction phase and cannot be invoiced until the scheduled payment milestones are reached. This is offset by the fact that the Group in turn invoices its customers in accordance with similar milestones to those in place with its suppliers.

Supplier payment disclosures under Law 15/2010

As required under disclosure requirements introduced by legislation passed in Spain on 29 December 2010, the Group has reviewed balances payable to suppliers and creditors outstanding at 31 December 2010 with respect to the Group companies to which the new disclosure requirements apply, concluding that none of the balances outstanding were past due by more than the legally established payment terms.

34. Related-party transactions

Transactions with related parties in 2010 and 2009 arose in the ordinary course of business. The relevant related party transactions are described below:

a) Transactions with the Company's core shareholders

a.1) Transactions with Grupo Banco Bilbao Vizcaya Argentaria (the BBVA Group):

The only transactions that the Group carries out with the BBVA Group are banking activities.

Set out below are details of these transactions at 31 December 2010 and 2009:

	2010	2009
Credit facilities	20,000	30,000
Drawn balances	1,821	-
Guarantees furnished	393,295	265,905

The average interest rate on these borrowings was Euribor + 1.30% (2009: 1.22%).

The Group has contracted forward currency transactions with the BBVA Group, the notional values of which totalled USD492,330k at year-end 2010 (2009: USD135,968).

In addition, the Group has open numerous bank accounts that are necessary to carry out its ordinary business and manages a portion of its cash balances by contracting financial assets through the BBVA Group. At year-end 2010 the balance in these current accounts was €101,719k (2009: €20,710k).

The accompanying income statements include the following costs and revenues related to the above-mentioned transactions, which were carried out on an arm's length basis.

	2010	2009
Finance costs	1,480	2,296
Finance income	24	372

b) Transactions with Company directors and officers

Set out below is an analysis of transactions undertaken with companies in which the Company's directors are also directors or administrators:

	2010				2009			
	Trade receivables	Due to suppliers	Purchases	Revenue	Trade receivables	Due to suppliers	Purchases	Revenue
Grupo CEPSA	-	-	-	-	1,956	61	146	3,051
Tubos Reunidos	-	-	-	-	-	83	1,823	-
Schneider	-	-	-	-	-	962	4,318	-
Isolux-Corsan	-	424	424	-	-	-	781	-

In addition, one of the parent company's directors is a director at the Santander Group. Accordingly the banking transactions concluded with this banking group are disclosed below:

	2010	2009
Finance costs	967	1.268
Finance income	846	1.188

	2010	2009
Credit facilities	30,000	10,000
Drawn balances	5,887	-
Guarantees furnished	315,706	308,654

The average interest rate on these borrowings was Euribor + 0.80% (2009: 1.42%).

The Group has contracted forward currency transactions with Banco Santander, the notional values of which totalled USD29,500k at year-end 2010 (2009: USD120,585).

In addition, the Group has open numerous bank accounts that are necessary to carry out its ordinary business and manages a portion of its cash balances by contracting financial assets through Banco Santander. At year-end 2010 the balance in these current accounts was €93,951k (2009: €141,142k).

Note 39 provides details of the remuneration paid to the directors of Técnicas Reunidas, S.A.

Senior management pay

In 2010, remuneration paid to the Group's senior management in respect of fixed and variable compensation totalled €4,544k (2009: €3,918k).

c) Transactions with associates

Set out below is a breakdown of balances and transactions with the associates included in Exhibit II:

	2010				2009			
	Trade receivables	Due to suppliers	Purchases	Revenue	Trade receivables	Due to suppliers	Purchases	Revenue
Empresarios Agrupados, A.I.E.	806	189	10,120	2,965	953	95	7,021	2,923
E.A. Internacional, S.A.	4,003	721	1,078	53,319	517	1,147	7,292	14,229
Ibérica del Espacio, S.A.	637	3	3	699	992	16	4	89

35. Joint ventures

The Group has interests in the joint ventures listed in Exhibit III. The amounts set out below represent the Group's percentage interest in the assets, liabilities, revenues and profits of the joint ventures:

Assets:	**2010**	**2009**
Non-current assets	225	319
Current assets	18,347	42,130
Total assets	**18,572**	**42,449**
Liabilities:		
Non-current liabilities	42	125
Current liabilities	47,477	57,033
Total liabilities	**47,519**	**57,158**
Net liabilities	**(28,947)**	**(14,709)**
Revenue	28,656	23,721
Expenses	(38,986)	(43,883)
Profit/(loss) after taxes	**(10,330)**	**(20,162)**

There are no contingent liabilities in relation to the Group's shareholdings in joint ventures, nor contingent liabilities in the joint ventures themselves.

36. Temporary joint ventures (UTEs)

The Group has interests in the UTEs listed in Exhibit IV. The amounts set out below represent the Group's percentage interest in the assets, liabilities, revenues and profits of the UTEs:

Assets:	2010	2009
Non-current assets	48,226	40,151
Current assets	1,478,993	1,632,857
	1,527,219	**1,673,008**
Liabilities:		
Non-current liabilities	27,206	19,211
Current liabilities	1,375,251	1,457,573
	1,402,457	**1,476,784**
Net assets	**124,762**	**196,224**
Revenue	1,205,753	1,523,061
Expenses	(1,089,065)	(1,337,853)
Profit after taxes	**116,688**	**185,208**

There are no contingent liabilities in relation to the Group's shareholdings in the UTEs, nor contingent liabilities in the UTEs themselves.

37. Environmental disclosures

Given the activities in which the Group companies are involved, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be significant in relation to its equity, financial position or performance. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

38. Events after the balance sheet date

Between 31 December 2010 and the date of authorising these annual accounts for issue, no significant events have occurred that warrant disclosure.

39. Other information

a) Average Group headcount by category

Average headcount during the year at the companies accounted for using the full method of consolidation, by professional category:

	2010	2009
Directors and senior management	25	25
Graduates, diploma holders and administrative staff	5,140	4,620
Skilled workers	710	699
Sales staff	38	41
	5,913	**5,385**

Average headcount during the year at the companies accounted for using the equity method, by professional category:

	2010	2009
Directors and senior management	-	-
Graduates, diploma holders and administrative staff	309	308
Skilled workers	5	5
Sales staff	4	5
	318	**318**

The breakdown of the year-end headcount at fully consolidated Group companies by gender:

	2010			2009		
	Men	Women	Total	Men	Women	Total
Directors and senior management	23	2	25	23	2	25
Graduates, diploma holders and administrative staff	3,631	1,509	5,140	3,284	1,336	4,620
Skilled workers	426	283	709	417	282	699
Sales staff	28	10	38	30	11	41
	4,108	**1,804**	**5,912**	**3,754**	**1,631**	**5,385**

The breakdown of the year-end headcount at Group companies accounted for using the equity method by gender:

	2010			2009		
	Men	Women	Total	Men	Women	Total
Directors and senior management	-	-	-	-	-	-
Graduates, diploma holders and administrative staff	225	84	309	225	83	308
Skilled workers	1	4	5	1	4	5
Sales staff	4	-	4	5	-	5
	230	**88**	**318**	**231**	**87**	**318**

c) Audit fees

The fees accrued by PwC in 2010 for audit services rendered to Group companies amounted to €676k (2009: €609k). The fees accrued by companies using the PwC trademark in 2010 for services other than audit services amounted to €255k (2009: €265k).

d) Information required under article 229 of the Spanish Corporate Enterprises Act

The directors of the parent company have no disclosures to make with respect to the content of Article 229 of the Spanish Corporate Enterprises Act, enacted by means of Legislative Royal Decree 1/2010 of 2 July 2010, except for the following:

- Mr José Lladó Fernández-Urrutia is the Chairman of Técnicas Reunidas Internacional, S.A.
- Mr Juan Lladó Arburúa is a Director or Administrator of Initec Plantas Industriales, S.A., Initec Infraestructuras, S.A., Técnicas Reunidas Internacional, S.A., Técnicas Reunidas Proyectos Internacionales, S.A., Española de Investigación y Desarrollo, S.A., Eurocontrol, S.A. and Empresarios Agrupados Internacional, S.A.; he is also a member of the business organisation Comité de Empresarios Agrupados A.I.E. All of the above-mentioned companies form part of the Tecnicas Reunidas Group.
- Mr Javier Gómez Navarro is a non-executive Director of Grupo Isolux Corsán, S.A.

e) Compensation paid to members of the Company's Board of Directors

There follows information on total compensation paid to members of the Company's Board of Directors during the year ended 31 December 2010:

- Board meeting attendance fees received by all board members: €826k (2009: €807k).
- Wages and salaries: €1,056k (2009: €518k).
- Advances: €180k (2009: €165k).
- Life insurance premiums: €7k (2009: €7k).

.

Exhibit I

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010

SUBSIDIARIES INCLUDED IN THE SCOPE OF CONSOLIDATION

Company name	Registered domicile	Ownership interest, %	Shareholding company	Consol. method	Business	Auditor
Técnicas Reunidas Internacional, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	Full	Engineering services	PwC
Termotécnica, S.A.	Madrid	99.98%	Técnicas Reunidas, S.A. and Técnicas Reunidas Construcción y Montaje, S.A.	Full	Engineering services and machinery wholesaler	Unaudited
Técnicas Reunidas Construcción y Montaje, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	Full	Real estate development	Unaudited
Técnicas Reunidas Ecología, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	Full	Engineering services	PwC
Técnicas Reunidas Metalúrgicas, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	Full	Engineering services	Unaudited
Técnicas Reunidas Trade Panamá, S.A.	Panama	100%	Técnicas Reunidas, S.A.	Full	Dormant	Unaudited
Técnicas Siderúrgicas, S.A.	Madrid	100%	Técnicas Reunidas Construcción y Montaje, S.A.	Full	Engineering services	Unaudited
Técnicas Reunidas Proyectos Internacionales, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	Full	Engineering services	Unaudited
Española de Investigación y Desarrollo, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	Full	Engineering services	PwC
Layar, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	Full	Real estate	Unaudited
Layar Real Reserva, S.A.	Madrid	100%	Layar, S.A.	Full	Real estate	Unaudited
Eurocontrol, S.A.	Madrid	80%	Layar, S.A and Layar Real Reserva, S.A.	Full	Inspection, quality control, technical advisory services	Other
Initec Plantas Industriales, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	Full	Engineering services	PwC
Initec Infraestructuras, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	Full	Engineering services	PwC
Técnicas Reunidas Chile Ltda.	Chile	100%	Initec Plantas Industriales, S.A.	Full	Engineering services	PwC
ReciclAguilar, S.A.	Madrid	80%	Técnicas Reunidas, S.A.	Full	Engineering services	Unaudited
Técnicas Reunidas Gulf Ltd. - Saudi Arabia	Yedah	75%	Técnicas Reunidas, S.A.	Full	Engineering services	PwC
TR Engineering LLC – Oman	Muscat	49%	Initec Plantas Industriales, S.A.	Full	Engineering services	PwC
Técnicas Reunidas Omán LLC	Muscat	70%	Initec Plantas Industriales, S.A.	Full	Engineering services	PwC
Técnicas Reunidas Hellas, S.A. – Greece	Athens	100%	Técnicas Reunidas, S.A.	Full	Engineering services	PwC
Técnicas Reunidas Netherlands B.V.	Hague	100%	Técnicas Reunidas, S.A.	Full	Engineering services	PwC
Técnicas Reunidas de Construcao Unip. LDA - Portugal	Lisbon	100%	Técnicas Reunidas, S.A.	Full	Engineering services	PwC
Técnicas Reunidas Australia Pty Ltd	Melbourne	100%	Técnicas Reunidas, S.A.	Full	Dormant	PwC
Técnicas Reunidas TEC – Bolivia	Santa Cruz	100%	Técnicas Reunidas, S.A.	Full	Engineering services	PwC

Exhibit II

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010

ASSOCIATES INCLUDED IN THE SCOPE OF CONSOLIDATION

Company name	Registered domicile	Ownership interest, %	Shareholding company	Consol. method	Business	Auditor
Layar Castilla, S.A.	Madrid	25.39%	Técnicas Reunidas, S.A.	Equity	Real estate development	Unaudited
Empresarios Agrupados, A.I.E.	Madrid	42.48%	Técnicas Reunidas, S.A.	Equity	Engineering services	PwC
Empresarios Agrupados Internacional, S.A.	Madrid	42.48%	Técnicas Reunidas, S.A. and TR Proyectos Internacionales, S.A.	Equity	Engineering services	PwC
Ibérica del Espacio, S.A.	Madrid	45.73%	Técnicas Reunidas, S.A. and TR Proyectos Internacionales, S.A.	Equity	Engineering services	PwC
Green Fuel Corporation, S.A.	Madrid	36.80%	Técnicas Reunidas, S.A.	Equity	Project analysis and execution	Unaudited
Master S.A. de Ingeniería y Arquitectura	Barcelona	40.00%	Técnicas Reunidas, S.A.	Equity	Engineering services	Unaudited

Exhibit III

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010

JOINT VENTURES INCLUDED IN THE SCOPE OF CONSOLIDATION

Company name	Registered domicile	Ownership interest, %	Venturer	Consol. method	Business	Auditor
Heymo Ingeniería, S. A.	Madrid	39.98%	Técnicas Reunidas, S. A.	Proportionate	Engineering services	KPMG
KJT Engeharia Materiais	Madeira	33.33%	Técnicas Reunidas, S. A.	Proportionate	Engineering services	Deloitte
Damietta Project Management Co.	London	33.33%	Técnicas Reunidas, S. A.	Proportionate	Engineering services	KPMG
Damietta LNG Construction	Damietta	33.33%	Técnicas Reunidas, S. A.	Proportionate	Engineering services and project execution	E&Y
Proyectos Ebramex, S. de R.L. de C.V.	Mexico City	33.33%	Técnicas Reunidas, S. A.	Proportionate	Engineering services	PwC
Minatrico, S. de R.L. de C.V.	Mexico City	33.33%	Técnicas Reunidas, S. A.	Proportionate	Engineering services	PwC
Construcción e Ingeniería D.I. Ltda.	Santiago	50.00%	Initec Chile, S.A.	Proportionate	Engineering services	Other
Construcción e Ingeniería FIM Ltda.	Santiago	33.33%	Initec Chile, S.A.	Proportionate	Engineering services and project execution	Unaudited
Construcción e Ingeniería FI Ltda.	Santiago	50.00%	Initec Chile, S.A.	Proportionate	Engineering services and project execution	Unaudited
Técnicas Reunidas Ensol, S.A. (*)	Madrid	50.00%	Técnicas Reunidas, S. A.	Proportionate	Engineering services and project execution	Unaudited

Exhibit IV

UTEs AND CONSORTIUMS IN WHICH THE CONSOLIDATED COMPANIES HAVE INTERESTS - 2010

UTE/Consortium name	Ownership interest
TR FRANCIA BRANCH	100%
TR KHABAROVSK BRANCH	100%
TR MOSCU BRANCH	100%
UTE ALQUILACION CHILE	100%
UTE EP SINES	100%
UTE HDT/HDK FASE II	100%
UTE HYDROCRACKER HUNGARY	100%
UTE INITEC/TR JU'AYMAH GPE	100%
UTE INITEC/TR MEJILLONES	100%
UTE INITEC/TR PLANTAS HDT Y HCK	100%
UTE INITEC/TR RKF ARGELIA	100%
UTE INITEC/TR SAIH RAWL	100%
UTE INITEC/TR TFT ARGELIA	100%
UTE TR POWER	100%
UTE TR/ALTAMARCA COMPLEJO LA VIÑA	100%
UTE TR/ALTAMARCA PISCINA CUBIERTA	100%
UTE TR/ESPINDESA	100%
UTE TR/ESPINDESA - PEL SINES	100%
UTE TR/ESPINDESA - TR AKITA	100%
UTE TR/I.P.I. TR JUBAIL	100%
UTE TR/I.P.I. ABUH DABIH -SAS	100%
UTE TR/I.P.I. C.P.BIO BIO	100%
UTE TR/I.P.I. FENOLES KAYAN	100%
UTE TR/I.P.I. OFFSITES ABUH DABIH	100%
UTE TR/INITEC DAMIETTA LNG	100%
UTE TR/INITEC EBRAMEX INGENIERIA	100%
UTE TR/INITEC INFRA CONS.COMP.LA VIÑA	100%
UTE TR/INITEC INFRA CONS.PC.HUERCAL OVERA	100%
UTE TR/INITEC INFRA CONSTRUCCI.PARCELA S	100%
UTE TR/INITEC JV HAWIYAH GPE	100%
UTE TR/INITEC KJT PR. LNG	100%
UTE TR/INITEC MINATRICO INGENIERIA	100%
UTE TR/INITEC P.I. JV TR RABIGH DP	100%
UTE TR/INITEC PROYECTO DGC CHILE	100%
UTE TR/INTERCONTROL VARIANTE PAJARES	100%
UTE TR/IONICS RAMBLA MORALES	100%
UTE TR/IPI ELEFSINAS	100%
UTE TR/IPI KHABAROVSK	100%
UTE TR/IPI REFINERIA SINES GALP	100%
UTE TR/TREC OPER.DESALADORA R.MORALES	100%
UTE TR/TT HORNOS RUSIA	100%
UTE RUP TURQUIA	100%
UTE TR YANBU REFINERY - TRYR	100%
UTE TR ABU DHABI SHAH I	100%
UTE MARGARITA	100%
UTE TANQUE MEJILLONES	100%
TR ABU DHABI SAS BRANCH	100%
UTE INITEC INFRA/BLC/FBA NAT AEROP.REUS	90%
UTE TR/SOLAER I.S.F. MORALZARZAL	90%
UTE TR/TECNORESIDUOS PT VALDEMINGOMEZ	90%
UTE TR/GEA COLECTOR PLUVIALES H.O.	80%
UTE INITEC I./AN + PD S.C. AEROP.DE SANTIAGO	72%

UTE/Consortium name	Ownership interest
UTE INITEC INFRA/EVREN EVAL.RECURSOS	70%
UTE INITEC/PYCSA ALBERCA DEL JUCAR	70%
UTE TR/ARDANUY ALGECIRAS	70%
UTE TR/SEG PROY.NT AENA	70%
UTE TR/ALTAMARCA/HMF C.ALCOBENDAS	67%
UTE TR/SENER PROEYCTO HPP GEPESA	60%
UTE TR/FERROVIAL LA PLANA DEL VENT	57%
UTE TR/LOGPLAN A.T.AENA	55%
UTE TR/PAI URBANIZACION CALAFELL	55%
EDIFICIO PIF AEROPUERTO BARCELONA	55%
UTE INFRA/FULCRUM SRPHCS	51%
UTE INITEC INFRA/FULCRUM CUENCAS AT.ANDAL.	51%
UTE CARGA ITOIZ	50%
UTE INITEC I./GEOCART CATASTRO R.D.	50%
UTE INITEC I./KV CONS.CONDUCCION DE TABERNAS	50%
UTE INITEC P.I./SPIE CAPAG MEDGAZ	50%
UTE INITEC/FOSTER ACONCAGUA II	50%
UTE IPI/ACCIONA 5º TANQUE CARTAGENA	50%
UTE PEIRAO XXI	50%
UTE PRESA ITOIZ	50%
UTE PRESA LOTETA	50%
UTE PROVER	50%
UTE RUZAFA	50%
UTE TR/ANETO RED NORTE OESTE	50%
UTE TR/ASFALTOSY CONS.APARCAM.ALCOBENDAS	50%
UTE TR/GDF AS PONTES	50%
UTE TR/GDF BARRANCO DE TIRAJANA	50%
UTE TR/GDF CTCC BESOS	50%
UTE TR/GDF CTCC PUERTO DE BARCELONA	50%
UTE TR/GUEROLA CENTRAL TERMOSOLAR	50%
UTE TR/KV CON.PL.Y URB.ZALIA	50%
UTE TR/RTA VILLAMARTIN	50%
UTE TR/SEG PORTAS	50%
UTE TR/SERCOAL CENTRO DE DIA	50%
UTE TR/SERCOAL EDIFICIO SERVICIOS MULTIPLES	50%
UTE TR/TRIMTOR DEP.CAÑADA GALLEGO	50%
UTE TR/TRIMTOR EDAR LIBRILLA	50%
UTE VALORIZA TR SS2	50%
UTE PERELLO tr/vialobra	50%
UTE ENSA/TR CAMBIADORES TAISHAN	50%
UTE ROSELL INFRA/COMAYPA	50%
UTE INITEC-INTRAESA Tramo II	50%
UTE INITEC-INTRAESA Tramo I	50%
UTE PARQUE RIBALTA	50%
UTE COMAYPA INITEC TVR-CAS	50%
UTE TR/GEA/SANHER EL CARAMBOLO.	40%
UTE INITEC/FOSTER/MAN ACONCAGUA I	33%
UTE TRISA/AST. PET./ODEBRECHT EBRAMEX SUMI.	33%
UTE TRISA/AST. PET/.MINATRICO SUMINISTROS	33%
UTE IPI/TECHNIGAZ TZI CARTAGENA	30%
UTE TR/IONICS/TCOSA/CHSA DEP.OROPESA	25%
VIETNAM	20%

Free translation of the consolidated annual accounts originally issued in Spanish and prepared in accordance with International Reporting Standards as adopted by the European Union. In the event of a discrepancy, the Spanish language version prevails.

1. Business performance

Despite the fact that 2010 was broadly marked by a loss of confidence in the economy, coupled with questions over sovereign solvency and financial market instability, 2010 was yet another very good year for Técnicas Reunidas (TR).

Operating profit (EBIT) amounted to €156 million, year-on-year growth of 4%. However, profit after tax was lower than in 2009, at €98 million, due to the impact of tax assessments raised by Spain's tax authorities. Revenue was 5.2% higher year-on-year in 2010 at €2.77 billion. The Group's net cash at 31 December 2010 stood at €525 million. The growth rates evidenced by the 2010 financial performance were more moderate than in prior years due to a coincidence of projects close to the final delivery stage coupled with recently awarded projects for which the stage of completion was still not material.

In qualitative terms, at 31 December 2010, Técnicas Reunidas boasted its highest ever year-end project pipeline, which lends high visibility to the outlook for the Group's revenue performance in the coming years. The robust orderbook is the result of the Group's effective sales policy. Yet again, some of the sector's biggest investors have chosen TR to execute their projects (Saudi Aramco and ADNOC). In addition, some of the customers TR has worked for in recent years have come back to request new services (Tüpras and Codelco – Suez). Meanwhile, the Group entered new markets such as Peru, Bolivia and China, where it feels at ease thanks to its know-how and track record in the region.

An analysis of the revenue split by geographic region reveals a balanced and well-diversified revenue mix. Revenue tied to the Spanish business accounted for 16% of the total, while the European market accounted for a further 19% and the rest of the world, a catchall which includes the Middle East, represented 65%.

Project wins in 2010 were concentrated in the Group's core business: oil & gas. The power and infrastructure businesses, which are more exposed to the economic cycle, were hit relatively harder by the economic crisis. Although no significant contract awards were announced in these divisions, the Group did detect signs of recovery in the trading climate, particularly in the international combined cycle power plant segment, services related to the nuclear power industry, again abroad, plus strong demand for desalinisation and water treatment projects in markets familiar to the Group such as the Middle East and Australia.

Despite the circumstances afflicting the Spanish job market throughout 2010, with unemployment rates reaching record highs, Técnicas Reunidas continued to add to its workforce. TR manages its human capital as a strategic resource and manages its human resources as a function of project demand. At the end of 2010, the company had a headcount of 5,913. Although growth in Group headcount fell short of that of other years, the current project pipeline bodes well for further growth in hiring.

As for the share price performance in 2010, Técnicas Reunidas' share price registered a gain of 18% in 2010. In a year in which rumours of an imminent bailout of the Spanish financial persisted, TR's share price suffered relatively from the contagion effect, despite participating in a burgeoning sector and boasting robust financial health. Nevertheless, TR was one of the few Ibex 35 stocks to end the year higher, outperforming the Spanish benchmark index by almost 40%. TR kept its shareholder remuneration policy intact once again, paying out 50% of 2009 profit in the form of dividends. This meant the parent company paid out a total dividend of €1.34 per share, 4% more than the dividend paid in 2009.

The financial performance of each of TR's business lines is analysed individually below:

Oil and gas

During the first three quarters of the year, the Group's order pipeline hit successive new records, thanks to new contracts in the oil and gas arena, in turn underpinned by strong sector business volumes. As is well-known, the oil and gas sector investment cycle is very long. Client investment decisions are taken several years in advance and project execution requires another three or four years' work. As a result, our projects are typically strategic from the client standpoint as they are generally necessary to ensure national energy supply, which is why they are rarely cancelled. Despite financial market instability, which squeezed access to financing right along the business chain, triggering a slowdown, the Group's biggest clients had already approved their investment programs and had the financing in place to fund them.

2. Financial indicators

The Group prepares its annual consolidated financial statements under the International Financial Reporting Standards endorsed by the EU.

In 2010, Group revenue climbed 5.2% year-on-year to €2.77 billion, extending the growth of prior years.

EBIT amounted to €156 million, implying an EBIT margin of 5.6%.

Profit after tax was €97.9 million, heavily eroded by the tax assessments raised against the Group which implied a one-off tax expense of €39.3 million in 2010. In addition, income tax expense on 2010 profits has been provisioned at €26.1 million, implying an effective tax rate of 16% of before-tax profit. This rate is higher than the 2009 effective tax rate as the Group has used the criteria used by the tax authorities in preparing its assessments to calculate tax expense.

3. Research and development

The Group maintained its R&D effort which it considers vital to its business, developing technology in areas where management has identified niches which imply commercial opportunities.

4. Event after the balance sheet date

The trading climate that characterised the second half of 2010 has remained relatively stable during the initial months of 2011. Renewed confidence in the financial markets, coupled with the rally in commodity prices and official estimates for demand for crude oil in the year ahead, is encouraging clients to become more forceful in their investing decision-making. Although the Group has not announced any significant contract awards, it is actively participating in a large number of tenders which evidence the sector's solidity and growth.

5. Treasury share purchasing activity

There was no trading in treasury shares in 2010.

6. Financial risk management and use of financial instruments

The main financial risk factors and the procedures in place for managing them are detailed in Note 3 to the accompanying financial statements.

7. Other business risk factors

Demand for TECNICAS REUNIDAS' services is closely correlated with investment in the oil and gas industry, a metric which is hard to forecast accurately.

- TECNICAS REUNIDAS' future business performance depends on the adjudication of new contracts.
- TECNICAS REUNIDAS depends on a relatively select number of contracts and clients, some of which are concentrated in a single country.
- TECNICAS REUNIDAS carries on some of its business activities outside Spain. These activities expose the Group to potential economic, social and political uncertainty. Unanticipated and adverse developments in the nations where TECNICAS Reunidas operates could lead to project stoppage, cost overruns and/or potential losses.
- TECNICAS REUNIDAS depends on key management personnel.
- The success of the Group's business associations, consortiums, UTEs and joint ventures depends on due delivery by our venture partners of their respective contractual obligations.
- A failure in the Group's IT systems could have a material adverse impact on TECNICAS REUNIDAS' business performance.
- TECNICAS REUNIDAS may be exposed to claims relating to errors or omissions on the part of its professionals.
- Warranty liability vis-à-vis its clients could have a material adverse impact on TR's profitability.
- TECNICAS REUNIDAS is not immune from sundry lawsuit risk.

8. Average Group headcount by category

	2010	2009
Directors and senior management	25	25
Graduates, diploma holders and administrative staff	5,140	4,620
Skilled workers	710	699
Sales staff	38	41
	5,913	5,385

9. Environmental disclosures

Given the activities in which the Group companies are involved, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be significant in relation to its equity, financial position or performance.

10. Capital structure, restrictions on the transfer of shares and significant shareholdings

The parent company's share capital comprises 55,896,000 shares, each with a par value of €0.10. All shares are of a single series; accordingly all shares entitle/oblige their holders to the same rights and obligations. There are no restrictions on transferring the Company's shares.

The Company's significant direct and indirect shareholders are as follows:

Company		No. of shares	% shareholding
Araltec, S.L.	Direct	17,882,564	31.99%
Aragonesas Promoción de Obras y Construcciones, S.L.	Direct	2,848,383	5.10%
Banco Bilbao Vizcaya Argentaria	Indirect	3,689,228	6.60%

11. Restrictions on voting rights

Article 16 of the Company's Articles of Association restricts attendance at General Meetings to shareholders holding at least 50 shares.

12. Shareholder agreements

On 23 May 2006, the following pacts were established by virtue of an agreement between Aragonesas Promoción de Obras y Construcción, S.L. and BBVA Elcano Empresarial I, SCR and BBVA Elcano Empresarial II, SCR:

- Shareholder voting agreement for the pooling of votes on the Company's government bodies encompassing the shares held by Mr. José Lladó Fernández Urrutia (through Araltec, S.L. and Aragonesas Promoción de Obras y Construcciones, S.L.) and those held by BBVA Elcano Empresarial, SCR and BBVA Elcano Empresarial II, SCR, in order to give the majority vote to the companies controlled by Mr. José Lladó Fernández Urrutia.

- Nine-year shareholder lock-up agreement encompassing BBVA Elcano Empresarial I, SCR and BBVA Elcano Empresarial II, SCR. The agreements additionally stipulate a gradual and optional timeline for releasing the shares subject to the shareholder voting and lock-up agreements between 2010 and 2015, additionally granting Mr. José Lladó Fernández Urrutia right of first refusal over the said shares.

13. Rules governing the appointment and replacement of directors and the amendment of the Company's bylaws

The Corporate Governance Report outlines the rules governing the Board of Directors in detail. The highlights are:

Articles 17 to 22 of the Board Regulations regulate the appointment and removal of directors of Técnicas Reunidas, specifically stipulating that:

1. The directors are appointed, subject to prior report by the Appointments and Remuneration Committee, by the shareholders in general meeting or the Board of Directors, in keeping with the provisions set forth in Spain's Companies Act.

2. The Board of Directors must endeavour to select candidates of renowned solvency, competence and experience.

3. The Board of Directors may not propose or designate anyone to fill an independent directorship who discharges executive duties at the Company or its Group or who is related thereto by means of family or professional ties to executive directors, other executive officers and/or shareholders of the Company or its Group.

4. Directors are appointed for a five (5) year term, without prejudice to the possibility of removal before the end of their tenure by the shareholders in general meeting. At the end of their mandate, they may be reappointed for one or more terms of similar length.

5. Independent directors are obliged to step down when they have served as independent directors for an uninterrupted period of 12 years from when the Company's shares were first traded publicly.

6. Directors shall tender their resignation to the Board of Directors and the Board shall accept their resignation if deemed appropriate in the following situations:

    - When they cease to hold the executive position associated with their appointment to the board.
    - When they are involved in any legally stipulated conflict of interest or prohibition.
    - When they are seriously admonished by a public authority for having infringed any of their fiduciary obligations as directors.
    - When their continued presence on the Board jeopardises the interests of the Company or when the reasons for which they were appointed cease to exist (for example when a proprietary director disposes of its investment in the Company).

14. Powers of directors and, specifically, powers to issue or buy back shares

The Board of Directors is vested with the customary management powers and powers of attorney, as provided for in the Spanish Corporate Enterprises Act, and is the Company's highest decision-making body, notwithstanding the matters reserved to the vote of the shareholders in general meeting.

In respect of powers to issue or buy back shares, article 5 of the Board Regulations stipulates that it is the Board's duty to:

- Execute treasury share policy under the scope of the powers vested in it by the Company's shareholders in general meeting.
- Approve the Company's general policies and strategies, which include treasury share policy, notably with respect to limitations thereon
- Approve the Company's most important business decisions in relation to investments and shareholdings in other companies, financial transactions and hiring and compensation matters.

15. Significant agreements that could take effect, be modified or terminate upon a change of control of the Company following a takeover bid.

There are no such agreements in force.

16. Agreements between the Company and its directors, officers or employees that provide for compensation in the event of resignation or unfair dismissal or if the employment relationship is terminated following a takeover bid.

There is a single agreement with a senior officer providing for legally-stipulated termination benefits in the case of unfair dismissal and benefits amounting to €488k in the case of dismissal for just cause, a redundancy program or as a result of any other decision taken by the Company.

17. Corporate governance report

The Company's annual Corporate Governance report is appended to this Directors' Report.

TECNICAS REUNIDAS

Arapiles 13
28015 Madrid (Spain)
Tel. 34 91 592 03 00
Fax 34 91 592 03 97
tr@tecnicasreunidas.es
www.tecnicasreunidas.es