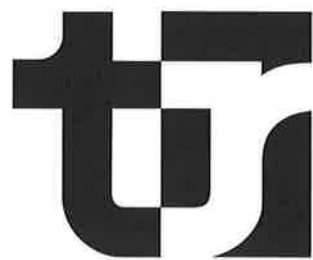


consolidated **financial**

statements, management report and
audit report 2011



TECNICAS REUNIDAS



TECNICAS REUNIDAS

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES

Consolidated annual accounts for the year ended December 31, 2011
and 2011 Directors' Report



TECNICAS REUNIDAS

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Directors' Report

letter from the Chairman

2011

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2011 remained a challenging year on the economic front. The crisis unleashed in the US in 2008, which spilled over to Europe in 2009 and 2010, only intensified last year.

This situation is having widespread ramifications in all sectors of the economy. In particular, it has manifested in a credit squeeze which is driving borrowing costs higher.

Despite this, the energy sector extended the momentum of recent years. Estimates for global demand for energy continue to point annual growth in the next 25 years. Moreover, the customers investing in energy projects are major companies that are profitable and strategic in their home markets. As a result, they are less affected by the credit crunch than companies in other sectors; nevertheless, banks are taking longer than before to approve and arrange their loan applications. This new paradigm was one of the factors affecting Técnicas Reunidas' business performance in 2011.

It is also worth highlighting the intensification in competition faced by the Company in the past year, notably in the Middle East. Since Técnicas Reunidas entered the Middle Eastern market back in 2003, this market has accounted for a significant portion of its project pipeline, and by extension the Group's annual capital expenditure, all of which has underpinned the Company's success in several countries in the region. This situation did not change in 2011, although the market's competitive dynamics did. In 2011, the Company was hurt by aggressive price competition on the part of its Korean competitors, with a direct adverse impact on the volume of new contract wins in the region. Nevertheless, the Company had already re-oriented its sales and marketing strategy towards new markets presenting high growth potential, a strategy which paved the way for product and customer diversification.

As a result, the Company notched up very satisfactory achievements in the course of 2011. Técnicas Reunidas proved capable of replicating in new markets the strategy that had unlocked growth opportunities in the Middle East in prior years thanks to customer satisfaction levels and references. Técnicas Reunidas managed to adapt flexibly to market demand, winning new contracts in familiar markets such as Turkey, Bolivia, Peru, Hungary and Australia, but with new customers and products. It also scored repeat business with existing customers which chose to trust in the professionalism of Técnicas Reunidas. This was the case of the MOL Group in Hungary, Total in France and the Southern Sea Water consortium in Australia.

The Company sustained growth in its order intake in all its business lines. Most of the new projects were once again secured in the oil and gas segment. However, unlike in 2010, the energy and infrastructure divisions also took in significant volumes of new work.

The Group posted operating profit of €151 million in 2011, a year-on-year decline of 5%. In contrast, profit after tax rose 39% year-on-year to €135 million, shaped by the impact of the tax assessments on profit in 2010. Revenue fell 5.7% to €2.613 billion. The Company's net cash position at 31 December 2011 stood at €740 million. The 2011 results mirror the business climate facing the Company: although revenue contracted on the back of more protracted tenders and contract conversion to open book arrangements, cash flow generation and liquidity remained solid.

The analysis of the revenue split by geographic region reveals a balanced and well-diversified revenue mix. Revenue generated in Spain accounted for 11% of the Group total, while 15% came from elsewhere in Europe and the remaining 74% from the rest of the world.

The Spanish job market remained very weak. Unemployment continued to climb throughout the year to end at record highs of over 22%. Despite this adverse backdrop, Técnicas Reunidas maintained its headcount. The company's most valued asset is its qualified staff. Técnicas Reunidas is committed to maintaining its experienced professionals who are ready to successfully manage ongoing and prospective projects. At the end of 2011, the company had a headcount of 5,949. Should growth in the project pipeline so warrant, the Group has the flexibility to adapt as required.

letter from the Chairman

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There was no change in shareholder remuneration policy. Técnicas Reunidas aims to earmark 50% of profits to dividend payments. In 2012, the company will pay out a total dividend of €1.34 per share from 2011 profits. Note that even though the company saw its net profit narrow by 33% year-on-year in 2010 due to the application of new tax measurement criteria, management decided to maintain its dividend in absolute terms so as not to penalise shareholders. As a result, the amount paid out in 2011 from 2010 profits implied a payout ratio of 74%, which is significantly above the customary 50%.

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

Oil and gas

The oil and gas investment cycle is very long and capital intensive. Expectations are for large scale investment. The last report issued by the International Energy Agency (World Energy Outlook 2011) talks of combined investment in oil and gas assets of US\$19.49 trillion in the next 25 years. These estimates are based on energy supply needs. The same report estimates demand for oil in 2035 of 99.4 million barrels per day, growth of 15% over 2010, implying the need to increase output by 0.51 million bpd annually over the next 25 years. As for demand for gas, the same report estimates demand of 4.75 trillion cubic metres in 2025, growth of 54% over 2009, implying the need to increase output by 64.4 million m³ over the next 26 years. These figures corroborate the sector's healthy and sustainable long-term prospects. However, the sector is not immune from the lingering financial market instability which has squeezed access to financing right along the business chain, slowing the lending machinery down and hurting Técnicas Reunidas' pace of order intake in 2011.

More specifically, the Company had to tackle a number of unusual circumstances in 2011. In the first quarter, it won a contract to build a nitric acid and ammonium nitrate plant for YARA in Australia, which had to be removed from the pipeline a short time later due to shareholder changes and project delays. Meanwhile, most of the new contracts secured were awarded and converted to open book arrangements at the end of the year, as a result mainly of the longer time taken to arrange financing.

Nevertheless, the Company views its 2011 performance as satisfactory from the sales standpoint as it managed to penetrate new customers while generating repeat business from existing customers. In parallel, it was able to penetrate new markets. Técnicas Reunidas continues to seek new growth opportunities by offering its recurring customers solutions designed to enable them to make their services and products stand out.

In 2011, Técnicas Reunidas reinforced its position in the Mediterranean (Turkey), Latin America (Peru and Bolivia) and Asia-Pacific (Australia). These markets present large-scale investment requirements deriving from the countries' development requirements and the existence of untapped oil and gas resources.

Revenue in this business segment rose 6% year-on-year in 2011 to €2.285 billion, accounting for 87% of the Group total.

a) Refining and petrochemicals

- In 1Q11, Yara International ASA selected Técnicas Reunidas for the TAN (technical ammonium nitrate) plant in the Burrup Peninsula in the state of Western Australia. TR was chosen to design and build the project (turnkey) with the following main processing units: a wet ammonium nitrate, nitric acid and dry ammonium nitrate prilling plant. Yara chose TR not only as the main contractor for the whole project, but also selected TR's technology

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and know-how (Espindesa) for the liquid ammonium nitrate and nitric acid plants. At the time of the award, Yara International held a 35% interest in a consortium. Over the course of the year, its shareholder was forced to abandon the project; due to uncertainties surrounding the materialisation of the new company, the project work never commenced. As a result, taking a conservative stance, Técnicas Reunidas decided to remove the project from its pipeline until the new corporate situation is resolved and the project recommences. Throughout 2011, Yara International and Técnicas Reunidas remained in constant contact, keeping each other updated on the status of the project. Técnicas Reunidas hopes to be able to add this project back into its pipeline in 2012 as soon as the new shareholder structure is officially determined.

- In June, Técnicas Reunidas was awarded a services contract in Russia for LUKOIL's refinery in Volgograd. The contract consists of the performance of the front-end engineering and design (FEED) for a hydrocracker complex, which runs on UOP technology. The design of this complex must be completed by the summer of 2012 and will require more than two hundred thousand man-hours of engineering work on the part of Técnicas Reunidas. The importance of this project lies with the fact that it is the second awarded in Russia in the wake of the Khabarovsk contract awarded in 2007. This project provides the Company with the opportunity to work with one of the country's biggest investors, Lukoil, which has ambitious investment plans for the future.
- In July, Total selected Técnicas Reunidas for the engineering, procurement, construction and commissioning of a new gasoil hydrodesulphurization unit (HDS) at its Normandy Refinery in France. This contract has been awarded under the EPC Lump Sum Turn Key model. The unit, with a design capacity of 3.840 tons/day, is designed to produce a desulphurised diesel with just 8 parts per million sulphur content and will start operations in 2013. This is the second contract awarded by Total, having been awarded one of the projects at the Jubail refinery in Saudi Arabia in 2009 in a consortium with Saudi Aramco.
- In October, Tüpras and Técnicas Reunidas signed the outstanding agreements related to the financing of the Izmit Resid Upgrading Project (RUP), rendering the lump sum turn key (LSTK) contract effective. TR had started the execution of this project in 2010 under a 'cost plus' scheme, with the option of conversion to LSTK. 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 participated in an earlier project at the Izmit refinery. This project is an important milestone for the Company, 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.
- At the end of the year, Nitratos del Perú, S.A. (NdP) engaged Técnicas Reunidas, in a consortium with Technip Italy, to execute the first phase of the development of a new petrochemical complex for the production of ammonia, nitric acid, ammonium nitrate and associated OSBL facilities in Paracas, in the Peruvian province of Pisco. This phase encompasses the project engineering activities during the first six months and constitutes stage one of the complex construction project. The start-up of the complex is initially scheduled for the end of 2014. For the nitric acid and ammonium nitrate plants, NdP is acquiring the technology and know-how of Espindesa, a wholly-owned subsidiary of the Técnicas Reunidas Group. This project is crucial for Peru, insofar as it will enable the supply of products to the petrochemicals industry and to the explosive industry, mainly for mining purposes. The complex will produce 710,000 tons of ammonia and 350,000 tons of ammonium nitrate per year. This is the first project awarded by NdP and the second awarded in Peru of late, following the major contract for the redevelopment of the Talara refinery for Petroperú.

letter from the Chairman

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The rest of the projects in the backlog, awarded prior to 2011, progressed as scheduled. At year-end, the most advanced projects, and therefore those closest to delivery, were the expansion of the Sines refinery for Galp Energy in Portugal, the upgrade of the Khabarovsk refinery for OC Alliance in Russia and the greenfield Yanbu refinery for Saudi Aramco in Saudi Arabia.

Meanwhile, projects completed and delivered to clients meeting all their specifications included the phenol plant at the Kayan petrochemical complex for SABIC in Saudi Arabia, the refining units for PEMEX in Mexico and the expansion of the Cartagena refinery for Repsol in Spain.

b) Natural gas & upstream

The natural gas and upstream segment has been gaining importance over the years. Although the Company started life as a specialist in refining and petrochemicals products, year after year it has added new product capabilities and know-how to its repertoire.

In 2011, the Company won repeat business in existing markets (Turkey and Bolivia), managing to add two new customers to a long list of sector investors. Técnicas Reunidas is swiftly shoring up its positioning in both countries. The experience is proving satisfactory, with new customers entrusting the Company to manage their products, with word of mouth driving opportunity generation. Slowly but surely the Company's experience as one of the leading gas production contractors in the world, as well as one of the most established players in the refining and petrochemicals division, is being acknowledged.

- In June, Botas, the Turkish state-owned gas distribution company, awarded Técnicas Reunidas the contract to execute a natural gas compression station. The contract includes the design and detail engineering, the procurement of all equipment and materials, as well as the construction and the start-up support services for the compression station facilities. The project is slated for completion at the end of 2012.
- In October, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) selected Técnicas Reunidas as main contractor for the engineering, purchasing of equipment and materials, construction and start-up of a new natural gas liquid separation plant in Gran Chaco, Bolivia. The contract was awarded under a lump sum turn key scheme. The plant will process 27,700,000m³/day of natural gas to produce 2,030 tons/day of ethane, 2,037 tons/day of LPG, 1,054 barrels/day of isopentane and 2,087 barrels/day of natural gasoline. The plant will consist of cryogenic dehydration, recompression, fractionation and utilities units, which will start operations in 2014. The rationale for the plant is to separate the liquid products from natural gas, with the liquids being mainly earmarked for export and the LPG being used to make up for the shortfall in meeting internal demand. This award highlights TR's commitment to Bolivia, where it has other major projects underway. Bolivia possesses vast untapped resources which TR would like to help develop. This milestone marks the second win from a new client since the company entered the Bolivian market in June 2010, when the Caipipendi consortium (Repsol, British Gas and PAE) awarded Técnicas Reunidas the contract to build a natural gas treatment facility.

The project making the greatest progress in 2011, and therefore contributing the most to revenue, 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 company completed the Mejillones project for Codelco/Suez in Chile.

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Power

Power projects have been the contracts affected most by the crisis as they are shorter lived (with the exception of nuclear power projects): even though it is easier to adapt them to prevailing market circumstances, they are more dependent on economic growth. However, the driving forces vary by region and energy source. In Spain, the dearth of major new investments continues, as this market was already well developed prior to the crisis. As a result, the Company is readying itself to look for good opportunities outside Spain. The last report issued by the International Energy Agency (World Energy Outlook 2011) talks of combined investment in the global energy sector of US\$16.88 trillion in the next 25 years. Once again in 2011, Técnicas Reunidas successfully bid for a new combined cycle project despite the fact that tender awards were drawn out by the deterioration in access to financing.

In October, MOL-CEZ European Power Hungary Ltd. (MCEPH), a consortium between the MOL Group and CEZ, awarded Técnicas Reunidas the contract to build a combined cycle gas turbine power plant (CCGT) in Százhalombatta (Hungary). The contract has been awarded on an EPC lump sum turn key basis and encompasses the project management, engineering, procurement and construction of a combined cycle gas power plant at the MOL Group's Duna refinery in Hungary (installed capacity of 860 MW). Notably, this is the first time that Técnicas Reunidas will work directly with equipment supplier Siemens, thereby opening up a new commercial avenue for marketing new combined cycle projects using Siemens technology.

Revenue at this division fell 48% year-on-year to €203 million, shaped by the conclusion in 2010 of several major projects: the Besos and Granadilla combined cycle plants for Endesa in Spain, the Puerto de Barcelona combined cycle plant for Gas Natural in Spain and the Montoir de Bretagne combined cycle plant for Gaz de France in France, all of which were delivered to the respective customers on satisfactory terms. The projects making the biggest contribution to division revenue were the Manifa generation plant for Saudi Aramco in Saudi Arabia and the Moerdijk combined cycle plant for Essent in Netherlands. This division accounted for 8% of total Group revenue.

Técnicas Reunidas also possesses a very strong track record in the nuclear power sector. Despite the Fukushima disaster in Japan, nuclear power is increasingly in demand. More stringent safety standards, meanwhile, will spell higher investment requirements. The International Energy Agency (World Energy Outlook 2011) is forecasting investment in nuclear power plants of US\$1.13 trillion in the next 25 years.

In 2011, Técnicas Reunidas, through Group investee Empresarios Agrupados, continued to provide engineering support services to Spain's operative nuclear power plants 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 Olkiluoto 3 project in Finland for Teollisuuden Voima Oyj (TVO). TR will provide its services to the consortium comprising Areva and Siemens which is designing the world's first third-generation EPR reactor.

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- Participation in the Fennovoima Oy project in Finland for the consortium comprising Voimaosakeyhtiö SF and E.ON Kärnkraft Finland. TR will provide its services to Areva for the design of a new NPP. The ultimate client assigned the project to two providers, Areva and Toshiba, and will award the construction project to the best design proposal in one year's time.
- 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 future nuclear power plants 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.
- Preparation of the technical specifications for the tender for the construction of an NPP using PWR (pressurised water reactor) technology in the Czech Republic for power utility ČEZ.
- Consultancy services for Lithuanian power utility VAE with a view to executing the new Visigino NPP in Lithuania.
- Consultancy services for Swiss power utility NOK (RESUN) in preparing the studies and documentation required to apply for the initial permit to build a new NPP in Switzerland equipped with a light water reactor.
- 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 Company's infrastructure division operates mainly on a local basis. These projects are generally tied to public investing activity. As a result of the deterioration in the economic situation in Spain, all major infrastructure plans have been put on hold. However, Técnicas Reunidas anticipated this new era years ago by diversifying into new markets.

The water treatment market presents significant upside in Asian (e.g. Australia) and Middle Eastern markets and the Company is building its franchise and reputation in this business line.

In 2011 revenue from the Infrastructure & Industry division amounted to €124 million and accounted for 5% of total revenue. The project making the biggest contribution to revenue was the Perth desalination plant for the Water Corporation of Western Australia, which was delivered in 2Q11. As this was the biggest project in the pipeline, revenue in this division decreased by 44% year-on-year. The other projects in the pipeline, which include airport infrastructure, industrial facilities, desalination and water treatment plants and other projects for public authorities, made satisfactory progress.

Building on the success of this first desalination facility in Australia, coupled with the customer's satisfaction with the experience and outcome, last August the Company was awarded the contract for the second phase of the Australian desalination project. Técnicas Reunidas, in a consortium with Valoriza Agua (a Sacyr Vallehermoso subsidiary), A. J. Lucas and Worley Parsons (together, the Southern Seawater Alliance), won the contract to extend the Binningup Sea Water Desalination

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Plant in Western Australia for the Water Corporation. Técnicas Reunidas, S.A. holds a 38% interest in the consortium, as does Valoriza Agua, while the two Australian partners hold 19% and 5%, stakes, respectively. Following the extension work, the Southern Seawater Desalination Plant will provide a total 100hm³ of drinking water per year. The consortium will be responsible for the design, turnkey construction, operation and maintenance of the plant, including the water pipelines and other infrastructure. This milestone marks Técnicas Reunidas' second desalination project in the region, reinforcing the brand's franchise in the Australian market.

José Lladó
Chairman

Juan Lladó
Vice Chairman



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

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 at 31 December 2011, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes to the consolidated annual accounts for the year then ended. As explained in Note 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 2011 present fairly, in all material respects, the consolidated financial position of Técnicas Reunidas, S.A. and its subsidiaries at 31 December 2011 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 2011 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 2011. 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 2012

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consolidated balance

sheet as at december 31, 2011

TECNICAS REUNIDAS

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 DECEMBER 31, 2011

CONSOLIDATED BALANCE SHEET (Thousands Euro)

	Note	At 31 December	
		2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	6	32,266	31,036
Goodwill	7	1,242	1,242
Other intangible assets	7	49,370	46,641
Investments in associates	8	7,163	7,462
Deferred income tax assets	29	24,431	24,464
Available-for-sale financial assets	9	349	349
Derivative financial instruments	10	1,410	3,749
Receivables and other assets	13	4,882	4,963
		121,113	119,906
Current assets			
Inventories	12	20,758	17,644
Trade and other receivables	11	1,753,941	2,014,997
Receivables and other assets	13	28,535	29,179
Derivative financial instruments	10	7,579	12,406
Financial assets at fair value through profit or loss	14	67,994	68,011
Cash and cash equivalents	15	707,479	518,801
		2,586,286	2,661,038
Total assets		2,707,399	2,780,944

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

consolidated balance

sheet as at december 31, 2011

TECNICAS REUNIDAS

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT DECEMBER 31, 2011

CONSOLIDATED BALANCE SHEET (Thousands Euro)

	Note	At 31 December	
		2011	2010
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	(73,371)	(56,257)
Other reserves	17	1,137	1,137
Hedging reserve	10	(31,115)	5,779
Cumulative translation differences	18	(498)	(127)
Retained earnings		466,061	404,744
Interim dividend	19	(35,846)	(35,848)
Equity attributable to owners of the parent		340,649	333,709
Non-controlling interests	19	8,718	7,538
Total equity		349,367	341,247
LIABILITIES			
Non-current liabilities			
Borrowings	21	29,952	27,037
Derivative financial instruments	10	23,196	393
Deferred income tax liabilities	29	5,255	6,762
Other payables	20	1,117	1,335
Other liabilities		435	2,271
Employee benefit obligations	22	6,300	5,823
Provisions for liabilities and charges	23	18,230	18,221
		84,485	61,842
Current liabilities			
Trade and other payables	20	2,143,955	2,241,000
Current tax liabilities		38,510	44,003
Borrowings	21	5,336	34,283
Derivative financial instruments	10	32,194	10,285
Other payables	20	52,054	41,702
Provisions for liabilities and charges	23	1,498	6,582
		2,273,547	2,377,855
Total liabilities		2,358,032	2,439,697
Total equity and liabilities		2,707,399	2,780,944

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

consolidated balance

sheet as at december 31, 2011

TECNICAS REUNIDAS

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT DECEMBER 31, 2011

CONSOLIDATED INCOME STATEMENT (Thousands Euro)

	Note	Year ended 31 December	
		2011	2010
Revenue	24	2,612,644	2,771,366
Change in inventories		3,221	2,069
Own work capitalised		3,023	4,538
Raw materials and consumables		(1,787,881)	(1,909,121)
Employee benefit expense	26	(351,669)	(334,830)
Depreciation/amortisation and impairment charges	6 & 7	(8,248)	(7,362)
Lease and royalty expenses	27	(42,566)	(60,599)
Other expenses	25	(281,073)	(313,078)
Other income	25	3,832	2,561
Operating profit		151,283	155,544
Finance income	28	10,961	13,959
Finance costs	28	(4,263)	(7,610)
Share in profit (loss) of associates	8	(2,786)	(2,032)
Profit before tax		155,195	159,861
Income tax expense	29	(19,875)	(61,929)
Profit for the year		135,320	97,932
Attributable to:			
Owners of the parent		129,545	103,865
Non-controlling interests	19	5,775	(5,933)
		135,320	97,932
Earnings per share (expressed in euro per share)			
- Basic and diluted	30	2.41	1.91

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

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CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT DECEMBER 31, 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Thousands Euro)

	Note	Year ended 31 December	
		2011	2010
Profit for the year		135,320	97,932
Other comprehensive income:			
Cash flow hedges	10	(36,894)	(6,440)
Foreign currency translation differences	18	(342)	4,664
Actuarial gains on post-employment benefit obligations		(70)	434
Other comprehensive income for the year, net of tax		(37,306)	(1,342)
Total comprehensive income for the year		98,014	96,590
Attributable to:			
Owners of the parent		92,210	102,080
Non-controlling interests		5,804	(5,490)
Total comprehensive income for the year		98,014	96,590

The amounts shown in the above consolidated statement of comprehensive income are presented net of tax. The income tax effect of each component of the consolidated statement of 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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Thousand Euro)

	Attributable to the 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 2011	5,590	8,691	(56,257)	1,137	5,779	(127)	404,744	(35,848)	7,538	341,247
Comprehensive income										
Profit (loss) for the year, 2011	-	-	-	-	-	-	129,545	-	5,775	135,320
Other comprehensive income										
Cash flow hedges, net of tax	-	-	-	-	(36,894)	-	-	-	-	(36,894)
Currency translation differences	-	-	-	-	-	(371)	-	-	29	(342)
Actuarial gains on post-employment benefit obligations	-	-	-	-	-	-	(70)	-	-	(70)
Total other comprehensive income	-	-	-	-	(36,894)	(371)	(70)	-	29	(37,306)
Total comprehensive income	-	-	-	-	(36,894)	(371)	129,475	-	5,804	98,014
Transactions with owners										
Transactions in treasury shares, net	-	-	(17,114)	-	-	-	-	-	-	(17,114)
Distribution against 2010 profit	-	-	-	-	-	-	(72,782)	35,848	-	(36,934)
Interim dividend against 2011 profit	-	-	-	-	-	-	-	(35,846)	-	(35,846)
Other movements	-	-	-	-	-	-	4,624	-	(4,624)	-
Total transactions with owners	-	-	-	-	-	-	(68,158)	2	(4,624)	(89,894)
Balance at 31 December 2011	5,590	8,691	(73,371)	1,137	(31,115)	(498)	466,061	(35,846)	8,718	349,367

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

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CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2011

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Thousand Euro)

	Attributable to the 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 2010	5,590	8,691	(56,257)	1,137	12,219	(4,348)	379,763	(35,848)	6,492	317,439
Comprehensive income										
Profit (loss) for the year, 2010	-	-	-	-	-	-	103,865	-	(5,933)	97,932
Other comprehensive income										
Cash flow hedges, net of tax	-	-	-	-	(6,440)	-	-	-	-	(6,440)
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

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CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2011

CONSOLIDATED CASH FLOW STATEMENT (Thousands Euro)

	Note	Year ended 31 December	
		2011	2010
Cash flows from operating activities			
Profit for the year		135,320	97,932
Adjustments:			
- Taxes	29	19,875	61,929
- Depreciation/amortisation of PPE and intangible assets	6 & 7	8,248	7,362
- Change in provisions, net		(5,355)	2,970
- Share in (profit)/loss of associates	8	2,786	2,032
- Change in fair value of financial instruments	28	1,331	(418)
- Interest income	28	(9,178)	(11,535)
- Interest expense	28	4,264	7,610
- Change in gains/losses on derivatives	10	16,804	3,876
- Exchange gains/losses	28	(423)	(2,006)
Changes in working capital			
- Inventories		(3,114)	1,909
- Trade and other receivables		261,368	(785,295)
- Other financial assets		(337)	(38,697)
- Trade payables		(96,594)	471,178
- Other accounts payable		9,072	(14,550)
- Other changes		(5,203)	4,004
Other operating cash flows:			
- Interest paid		(4,034)	(7,380)
- Interest received		9,227	10,253
- Tax paid		(27,480)	(36,579)
Net cash from/(used in) operating activities		316,577	(225,405)
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(8,646)	(9,402)
Purchases of intangible assets	7	(3,338)	(4,994)
Acquisition of associates	8	-	(2,000)
Acquisition of other non-current assets		-	-
Disposal of non-current assets		-	7,347
Net cash used in investing activities		(11,984)	(9,049)
Cash flows from financing activities			
Proceeds from borrowings		3,980	36,183
Repayment of borrowings		(29,999)	(1,362)
Dividends paid	19	(72,782)	(72,782)
Acquisition of treasury shares	16	(17,114)	-
Net cash used in financing activities		(115,915)	(37,961)
Net increase/(decrease) in cash and cash equivalents		188,678	(272,415)
Cash and cash equivalents at beginning of year		518,801	791,216
Cash and cash equivalents at end of the year		707,479	518,801

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

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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 2011 consolidated financial statements

1. Company information

TÉCNICAS REUNIDAS, S.A. (the "Company" and together with its subsidiaries, the "Group") 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 216, page M-72319, entry 192.

The registered offices of TÉCNICAS REUNIDAS, S.A. are located at calle Arapiles, 14, Madrid (Spain). It 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 index.

The Group's consolidated annual accounts for 2010 were approved at the Annual General Meeting held on 22 June 2011.

These consolidated annual accounts were authorised for issue by the Board of Directors on 28 February 2012. The directors will submit these consolidated annual accounts to the Annual General Meeting and expect them to be approved without modification.

2. Summary of significant accounting policies

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

2.1. Basis of presentation

The Company's directors prepared the Group's 2011 consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union and approved by European Commission Regulations, and which are in force at 31 December 2011, 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 and liabilities that must be carried at fair value under IFRS.

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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 thousands of euro, unless explicitly stated otherwise.

2.1.a. New and amended standards and interpretations taking effect for the first time in 2011

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011:

- IAS 24, 'Related party disclosures'.
- IAS 32 (Amendment), 'Classification of rights issues'.
- IFRS 1 (Amendment), 'Limited exemption from comparative IFRS 7 disclosures for first-time adopters'.
- IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement'.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'.

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, published by the IASB in 2010 and adopted by the European Union, affect the following standards:

- 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 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

- IFRS 7 (Amendment), 'Financial instruments: Disclosures - Transfers of financial assets' (applicable for annual periods beginning on or after 1 July 2011).

2.1.c. New standards, amendments and interpretations of existing standards issued but not adopted by the European Union at the date of authorising these financial statements 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 2015).
- IAS 12 (Amendment), '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).
- IFRS 10, 'Consolidated financial statements' (applicable for annual periods beginning on or after 1 January 2013).
- IFRS 11, 'Joint arrangements' (applicable for annual periods beginning on or after 1 January 2013).
- IFRS 12, 'Disclosures of interests in other entities' (applicable for annual periods beginning on or after 1 January 2013).
- IAS 27 (Amendment), 'Separate financial statements' (applicable for annual periods beginning on or after 1 January 2013).
- IAS 28 (Amendment), 'Investments in associates and joint ventures' (applicable for annual periods beginning on or after 1 January 2013).

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- IFRS 13, 'Fair value measurement' (applicable for annual periods beginning on or after 1 January 2013).
- IAS 1 (Amendment), 'Presentation of financial statements' (applicable for annual periods beginning on or after 1 July 2012).
- IAS 19 (Amendment), 'Employee benefits' (applicable for annual periods beginning on or after 1 January 2013).
- IFRIC 20, 'Stripping costs in the production phase of a surface mine' (applicable for annual periods beginning on or after 1 January 2013).
- IAS 32 (Amendment) and IFRS 7 (Amendment), 'Offsetting financial assets and financial liabilities'. (The amended IAS 32 is applicable for annual periods beginning on or after 1 January 2014 and must be applied retroactively; IFRS 7 is applicable for annual periods beginning on or after 1 January 2013 and must be applied retroactively).

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. Principles of Consolidation

Consolidation scope

The TECNICAS REUNIDAS Group is made up of: 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 it controls directly or indirectly.

The parent 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 lists the UTES and consortiums in which the Group companies have interests.

The consolidation scope changed as follows in 2011:

- Establishment of TR RUP INSAAT TAAHHÜT Limited Sirketi on 27 June 2011, 80%-owned by Técnicas Reunidas S.A. and 20%-owned by Initec Plantas Industriales S.A.U.
- Establishment of Hungary Dufi CCGT Kft on 27 May, 80%-owned by Técnicas Reunidas S.A. and 20%-owned by Initec Plantas Industriales S.A.U.

The consolidation scope changed as follows in 2010:

- Establishment of Técnicas Reunidas TEC Ltda. (Bolivia) on 12 April 2010, a wholly-owned subsidiary of Técnicas Reunidas
- Establishment on 2 February 2010 of Máster 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).

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

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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 applies the acquisition method 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 to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date for each business combination. The Group may elect to recognise any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not be remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed 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.

Changes in ownership interests in subsidiaries without change of control

The group accounts for transactions with non-controlling interests that do not result in loss of control as equity transactions, i.e. transactions with the owners in their capacity as owners. The difference between the fair value of 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.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, 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.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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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 is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share 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 incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/ (loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associates. Unrealised losses are 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.

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. However, 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 information

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.

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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 Group's consolidated financial statements are presented in Euros, which is both its 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 results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (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 historical 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

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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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 segments.

The recoverable amount of a CGU is the higher of its value in use and its fair value less sale costs. 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 the specific software to use. 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 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 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 held under concession become operational, the concession receipts are recognised as revenue, 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 when the following requirements are met:

- It is technically feasible 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;

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- Adequate technical, financial and other resources 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 period of 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 their 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 2011 or 2010.

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 it in the short term or if so designated by management. 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.

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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 prevailing purchase 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 and 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 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 first assesses whether objective evidence of impairment exists. 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 profit or loss, the impairment loss is reversed through the separate consolidated income statement.

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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 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 provision for impairment.

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 cash flow statement, 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.

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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 initially recognised 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 term 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 after the end of the reporting period.

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 substantively 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.

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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 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 the consolidated income statement, 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 implied obligation as a result of past events, the settlement of which is expected to result in an outflow of resources and the amount of which 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).

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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 calculated, the future economic benefits are likely to flow to it and the specific conditions applicable to each of the Group's businesses are fulfilled, 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 estimates are based on historical data, taking into account customer and transaction types, as well as the specific terms of each contract.

Service agreements

Revenue from the rendering of services under service agreements is recognised in the financial year in which the services are provided by reference to the stage of completion 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 only 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 services to be performed and costs to be incurred 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. Progress billings outstanding and retentions 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 contract 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.

Dividend income

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

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Interest income

Interest income is recognised using the effective interest rate 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 maturity of the 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 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 reclassified 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

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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 following policies approved by the Board of Directors. This department 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) Exchange rate 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 the future transactions and recognised assets and liabilities are denominated in a currency other than the Company's functional currency. The Group's Treasury Department is responsible for managing the net position in each foreign currency using external foreign 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 the 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 the euro had depreciated / appreciated against the US dollar by a hypothetical 10% in 2011, leaving all other variables constant, consolidated profit before tax for the year would have been €8,438k higher / lower (2010: €10,941k), mainly due to hypothetical gains / losses generated on the revaluation / devaluation of open positions in US dollars.

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Meanwhile, if the euro had depreciated / appreciated against the US dollar by a hypothetical 10% in 2011, equity would have been €71,400k higher / lower (2010: €29,901k 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:

	2011	2010
Egyptian Pounds	11,331	11,535
Oman Riyals	615	615
Saudi Riyals	16,967	15,751
Mexican Pesos	20,969	20,969
Other	1,411	1,026

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 sales 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 exposure to floating interest at each year-end is as follows:

	2011			2010		
	Referenced to Euribor	Other benchmarks	Total	Referenced to Euribor	Other benchmarks	Total
Borrowings	(31,154)	(4,134)	(35,288)	(56,074)	(5,246)	(61,320)
Interest-earning cash and cash equivalents	367,267	340,212	707,479	249,540	269,261	518,801
Net cash position	336,113	336,078	672,191	193,466	264,015	457,481

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 2011 profit of €1,769k / €2,069k (2010: €1,297k / €1,242k).

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.

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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.

Our key customers represented 68% of total "Trade receivables" (within Trade and other receivables) at 31 December 2011 (2010: 63%) 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 2011 was €86,533k (2010: €151,014k), 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 Company'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:

	2011	2010
Borrowings (Note 21)	(35,288)	(61,320)
Cash and cash equivalents (Note 15)	707,479	518,801
Net cash balance	672,191	457,481
Undrawn credit lines	103,605	63,949
Total liquidity reserves	775,796	521,430

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 2011				
Borrowings	5,336	5,361	6,138	18,453
Derivative financial instruments	32,194	23,196	-	-
Trade and other payables	2,196,009	1,117	-	-
Non-accrued interest payable	133	267	421	882
Total	2,233,672	29,941	6,559	19,335
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

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3.2. Capital risk management

The Group's objectives when managing capital are to safeguard its 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 financial statements. The Group also monitors the ratio of net cash to capital.

	2011	2010
Borrowings - I (Note 21)	(35,288)	(61,320)
Net cash position - II	672,191	457,481
Equity - III	349,367	341,247
% I / III	10.10%	17.97%
% II / III	192.40%	134.06%

Both ratios are within management's acceptable target ranges.

3.3. Fair value

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 2011	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss	67,994	-	-	67,994
Hedging derivatives	-	8,989	-	8,989
Total assets	67,994	8,989	-	76,983
Liabilities				
Hedging derivatives	-	55,390	-	55,390
Total liabilities	-	55,390	-	55,390
At 31 December 2010				
Assets				
Financial assets at fair value through profit or loss	68,011	-	-	68,011
Hedging derivatives	-	16,155	-	16,155
Total assets	68,011	16,155	-	84,166
Liabilities				
Hedging derivatives	-	10,678	-	10,678
Total liabilities	-	10,678	-	10,678

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.

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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 of the remaining financial instruments.

There were no switches between levels in either 2011 or 2010.

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 numerous 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 (Note 29) to differ by 10% from management's estimates, the income tax liability recognised would increase / decrease by €15,519k.

As disclosed in Note 29, the Group's effective tax rate was 13% in 2011 (16% in 2010).

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.

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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 can be reliably estimated and it is likely that the contract will generate profits. If the outcome of the contract cannot be reliably estimated, revenue is recognised to the extent that costs are recovered. When it is likely that the costs of 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 whether it 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 2011 and 2010. No relevant changes to these estimates are anticipated.

5. Segment information

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 optimal insight into the business structure. This segmentation additionally reflects the information reviewed by the Board of Directors.

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The oil and gas segment focuses on EPC 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, desalination and water treatment plants as well as initiatives for public authorities and other bodies such as management of 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.

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	Oil and gas		Power		Infrastructure & other		Unallocated		Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Segment reporting										
Revenue	2,285,322	2,153,507	203,251	395,071	124,070	222,788	-	-	2,612,644	2,771,366
Operating profit	187,399	175,575	24,761	40,755	888	84	(61,766)	(60,870)	151,283	155,544
Net finance income (Note 28)	-	-	-	-	-	-	6,698	6,349	6,698	6,349
Share in profit (loss) of associates	-	2,644	701	(4,158)	(679)	(518)	-	-	21	(2,032)
Profit before tax	-	-	-	-	-	-	155,195	159,861	155,195	159,861
Income tax expense	-	-	-	-	-	-	19,875	61,929	19,875	61,929
Profit for the year	-	-	-	-	-	-	135,320	97,932	135,320	97,932
Assets and liabilities by operating segment										
Assets	2,089,963	2,050,973	147,007	320,453	211,637	254,473	251,629	147,583	2,700,236	2,773,482
Associates	434	437	4,711	4,385	2,018	2,640	-	-	7,163	7,462
Total assets	2,090,398	2,051,410	151,718	324,838	213,392	257,113	251,891	147,583	2,707,399	2,780,944
Liabilities	1,950,221	1,782,530	130,397	281,633	116,082	130,125	161,332	245,409	2,358,032	2,439,697
Additions to non-current assets (Notes 6 and 7)	5,488	4,194	-	-	3,052	4,555	3,442	5,647	11,982	14,396
Other operating segment disclosures										
Depreciation of PPE (Note 6)							7,639	6,054	7,639	6,054
Amortisation of intangible assets (Note 7)							609	1,030	609	1,030
Impairment of trade receivables (Note 11)							313	5,502	313	5,502

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Third-party customer revenue is allocated according to the country where the client is located. The breakdown is as follows:

Revenue from third-party customers	2011	2010
Spain	288,482	449,406
Middle East	1,006,607	1,339,395
Americas	245,220	148,712
Asia	249,813	262,688
Europe	398,110	533,168
Mediterranean	424,412	37,997
	2,612,644	2,771,366

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

The revenue generated by the Group's top five customers accounted for 68% of the 2011 total (2010: 59%). Revenue generation by customers who individually accounted for over 10% of total consolidated revenue in 2011 amounted to €1.79 billion (2010: €947.57 million).

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	
	2011	2010	2011	2010
Spain	483,705	793,259	8,961	11,576
Middle East	1,036,614	954,855	3,905	2,031
Americas	268,807	243,755	151	359
Asia	213,321	174,326	289	111
Europe	274,669	476,594	71	974
Mediterranean	320,705	58,711	2	-
Total	2,597,821	2,701,500	13,379	15,051
Associates	6,899	7,305	-	-
Unallocated	102,679	72,139	500	490
	2,707,399	2,780,944	13,834	15,541

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

	2011	2010		2011	2010
Reportable segment assets	2,455,507	2,633,361	Reportable segment liabilities	2,196,700	2,194,288
Unallocated:			Unallocated:		
Non-current assets	46,796	46,230	Non-current liabilities	422	30,493
Current assets	205,095	101,353	Impairment provisions	23,772	23,765
Total assets per the balance sheet	2,707,398	2,780,944	Current liabilities	137,451	194,564
			Total liabilities per the balance sheet	2,358,345	2,443,110

6. Property, plant and equipment

Detail and changes items comprising property, plant and equipment are as follows:

Cost	Land and buildings	Plant and machinery	Furniture and equipment	PPE under construction	Other PPE	Total
Balance at 1 January 2010	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
Additions	125	1,810	6,021	-	688	8,644
Decreases	-	-	-	224	-	224
Other movements	-	-	-	-	-	-
Balance at 31 December 2011	2,435	26,560	37,812	2,795	5,871	75,473

Accumulated depreciation	Land and buildings	Plant and machinery	Furniture and equipment	PPE under construction	Other PPE	Total
Balance at 1 January 2010	478	7,718	19,088	-	2,230	29,514
Additions	56	2,817	3,114	-	67	6,054
Decreases	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Balance at 31 December 2010	534	10,535	22,202	-	2,297	35,568
Additions	77	4,794	2,308	-	459	7,639
Decreases	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Balance at 31 December 2011	611	15,329	24,510	-	2,756	43,207

Net carrying amount at 1 January 2010	910	11,727	10,702	2,700	1,780	27,819
Net carrying amount at 31 December 2010	1,776	14,215	9,589	2,570	2,886	31,036
Net carrying amount at 31 December 2011	1,824	11,232	13,580	2,794	3,115	32,266

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

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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. Management continues to analyse a number of alternatives for this project on which basis it assumes that recovery of the engineering costs is reasonably probable.

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

	2011	2010
Capitalized finance lease cost	6,555	5,611
Accumulated depreciation	(4,386)	(3,030)
Net carrying amount	2,169	2,581

Finance lease agreements entered into by the Company 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 2011, the Group carried items of property, plant and equipment located outside Spain with an original cost of €10,343k (2010: €7,151k) and accumulated depreciation of €5,960k (2010: €4,604k).

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

Detail and changes items comprising goodwill and other intangible assets are as follows:

Cost	Conces sions	Intangible assets under construction	Software and other intangible assets	Subtotal	Goodwill	Total
Balance at 1 January 2010	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
Additions	-	3,023	315	3,338	-	3,338
Decreases	-	-	-	-	-	-
Other movements	32,465	(32,465)	-	-	-	-
Balance at 31 December 2011	34,370	14,881	10,870	60,121	1,242	61,363

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Accumulated amortisation and impairment losses	Concessions	Intangible assets under construction	Software and other intangible assets	Subtotal	Goodwill	Total
Balance at 1 January 2010	299	1,200	6,613	8,112	-	8,112
Additions	-	-	1,030	1,030	-	1,030
Decreases	-	-	-	-	-	-
Impairment charge	-	1,000	-	1,000	-	1,000
Other movements	-	-	-	-	-	-
Balance at 31 December 2011	299	2,200	7,643	10,142	-	10,142
Additions	-	-	609	609	-	609
Decreases	-	-	-	-	-	-
Impairment charge	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Balance at 31 December 2011	299	2,200	8,252	10,751	-	10,751
Net carrying amount at 1 January 2010	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
Net carrying amount at 31 December 2011	34,071	12,681	2,618	49,370	1,242	50,612

In 2011 the research and development expense charged to the income statement totalled €6,701k (2010: €2,222k).

Intangible 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 details of the concession arrangements are disclosed in the "Concessions" section below.

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 2011, the Company capitalised borrowing costs in connection with financing obtained specifically for the construction of concession assets. Capitalised borrowing costs totalled €1,124k (2010: €688k).

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.

Impairment tests were performed at 31 December 2011 and 31 December 2010 and no impairment losses were recognised.

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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 – La Viña Shopping Centre, sports complex, car park and public spaces	50 Years	User charges	The municipal council can extend the concession term to 60 years
Underground car park at Huerca - Overa (Almeria) (*)	30 Years	User charges	Subject to successive term extensions
Sports complex at Huerca - 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

Concession assets under construction have been financed with borrowings amounting to €29,683k (€26,890k at year-end 2010).

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

	2011	2010
Opening balance	7,462	12,191
Additions	-	2,000
Derecognitions	(320)	(4,697)
Share of profit/loss	21	(2,032)
Closing balance	7,163	7,462

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

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The presentation date 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
2011				
Empresarios Agrupados, A.I.E.	Spain	8,338	7,588	42.48%
Empresarios Agrupados Internacional, S.A.	Spain	30,380	20,176	42.48%
Layar Castilla, S.A.	Spain	1,713	350	25.39%
Ibérica del Espacio, S.A.	Spain	14,148	12,499	47.45%
Máster S.A. de Ingeniería y Arquitectura	Spain	5,539	4,851	39.98%
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%
Máster S.A. de Ingeniería y Arquitectura	Spain	5,534	4,726	40.00%

Name	Country of incorporation	Revenue	Profit/(loss)	% ownership interest
2011				
Empresarios Agrupados, A.I.E.	Spain	21,314	-	42.48%
Empresarios Agrupados Internacional, S.A.	Spain	38,561	-	42.48%
Layar Castilla, S.A.	Spain	(38)	1,629	25.39%
Ibérica del Espacio, S.A.	Spain	7,482	32	47.46%
Máster S.A. de Ingeniería y Arquitectura	Spain	6,821	(1,345)	40.00%
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%
Máster S.A. de Ingeniería y Arquitectura	Spain	4,046	(1,415)	40.00%

9. Available-for-sale financial assets

Set out below are the movements in this heading:

At 1 January 2010	3,951
Purchases	-
Disposals	(3,602)
Translation differences	-
At 31 December 2010	349
Purchases	-
Disposals	-
At 31 December 2011	349
Less: non-current portion	349
Current portion	-

Disposals in 2010 in the table above related 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 impossibility of using valuation methods for measurement purposes, these investments are carried at acquisition cost.

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No impairment provisions were recognised on available-for-sale financial assets in either year.

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 2011 and 31 December 2010 by nature and category for measurement purposes:

Financial assets:	31 December 2011			
	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)	-	-	-	1,410
Other financial assets	-	-	4,882	-
Non-current	-	349	4,882	1,410
Equity instruments	-	-	-	-
Derivatives (Note 10.1.b)	-	-	-	7,579
Other financial assets	67,994	-	28,535	-
Current	67,994	-	28,535	7,579
Total financial assets at 31/12/2011	67,994	349	33,417	8,989

Financial liabilities	31 December 2011	
	Financial liabilities at amortised cost	Hedging derivatives
Nature/category		
Borrowings (Note 21)	29,952	-
Derivatives (Note 10.1.b)	-	23,196
Other financial liabilities	1,552	-
Non-current	31,504	23,196
Borrowings (Note 21)	5,336	-
Derivatives (Note 10.1.b)	-	32,194
Other financial liabilities (Note 20)	52,054	-
Current	57,390	32,194
Total financial liabilities at 31/12/2011	88,894	55,390

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Financial assets:	31 December 2010			
	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

Financial liabilities	31 December 2010	
	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

10.1. b. Derivative financial instruments

The derivative balances at year-end 2011 and 2010 are as follows:

	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forwards -- cash flow hedges	8,989	55,390	16,155	10,678
Non-current portion	1,410	23,196	3,749	393
Current portion	7,579	32,194	12,406	10,285

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Set out below is a maturity schedule in notional terms for the contracts outstanding at 31 December 2011 and 2010:

Instrument type	Thousand euro					
	Fair value		Notional maturities			
	Balances at 2011	Balances at 2010	2012	2013	2014	Notional total
Assets	8,989	16,155				
US dollar / euro	478	13,682	90,000	-	-	90,000
Yen / US dollar	-	2,473	0	-	-	0
US dollar / rouble	2,371	-	35,384	-	-	35,384
US dollar / yen	1,441	-	58,143	-	-	58,143
Euro / US dollar	2,362	-	68,500	1,100	-	69,600
Euro / yen	565	-	500,000	-	-	500,000
Euro / rouble	1,633	-	300,000	1,500,000	-	1,800,000
Rouble / euro	139	-	3,481	-	-	3,481
Liabilities	55,390	10,678				
US dollar / euro	52,492	10,197	846,736	559,800	60,800	1,467,336
US dollar / rouble	1,844	-	63,891	-	-	63,891
Australian dollar / euro	95	400	2300	-	-	2,300
Yen / US dollar	-	81	-	-	-	0
US dollar / yen	8	-	1,941	-	-	1,941
Euro / US dollar	1	-	511	-	-	511
Rouble / US dollar	950	-	19,666	-	-	19,666
Net balance	(46,401)	5,477				

Set out below is a maturity schedule in fair value terms for the contracts in force at 31 December 2011 and 2010:

	2011	2012	2013	2014	Total fair value
Total assets, 2010	12,406	3,749	-	-	16,155
Total liabilities, 2010	10,285	393	-	-	10,678
Total assets, 2011	-	7,579	1,410	-	8,989
Total liabilities, 2011	-	32,194	21,095	2,101	55,390

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 gains/losses accumulated in equity in connection with foreign currency forward contracts at 31 December 2011 amounted to a loss of €31,115k (2010: a gain of €5,779k). These gains and losses are recognised in the income statement in the year or years in which the hedged transactions affect profit or loss.

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In 2011 a net gain of €3,656k (€2,432k lower cost plus €1,224k higher income) was recognised in the income statement as part of operating profit in this connection (a net loss of €3,502k in 2010).

No material portion of the foreign currency hedges was deemed ineffective in either 2011 or 2010. Any gains or losses on any ineffective portion are recognised, when they arise, 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 2011 and 2010:

	2011	2010
Trade receivables	1,594,577	1,924,312
Less: provision for impairment of receivables	(10,414)	(10,101)
Trade receivables – net	1,584,163	1,914,211
Other accounts receivable	23,289	21,372
Prepayments	74,630	19,191
Other items	71,859	60,223
Total	1,753,941	2,014,997

Trade receivables includes €1,008,706k (2010: €1,202,835k) relating to completed work pending billing, measured on the basis of the accounting criteria set forth in Note 2.20.

Discounting has 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 of trade and other accounts receivable.

At 31 December 2011, trade receivables of €196,323k (2010: €215,141k) were fully performing.

At 31 December 2011, trade receivables of €86,533k (2010: €151,014k) 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:

	2011	2010
Up to 3 months	26,020	75,983
3 to 6 months	10,782	23,196
Over 6 months	49,731	51,835
	86,533	151,014

During 2011, trade receivables of €313k (2010: €5,502k) were impaired and provided for by the Group. Movements on the provision for impairment of trade receivables are as follows:

	2011	2010
Opening balance	10,101	4,599
Amounts provisioned	313	5,502
Amounts used	-	-
Closing balance	10,414	10,101

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

	2011	2010
Euro	100,846	275,920
US dollars	412,753	386,059
Other currencies	72,272	59,498
Subtotal	585,871	721,477
Completed work pending billing	1,008,706	1,202,835
Total	1,594,577	1,924,312

The accumulated balance of revenue and incurred expenses recognised in connection with all contracts in progress at the balance sheet date amounted to €10,639,461k (2010: €8,453,236k) and €852,826k (2010: €747,277k), respectively.

Prepayments received on projects in progress are broken down in Note 20. Withholdings on customer invoices amounted to €33,169k (2010: €56,296k).

12. Inventories

The breakdown of inventory balances is as follows:

	2011	2010
Construction projects in progress	2,093	2,093
Bid presentation costs	16,827	14,445
Materials	1,838	1,106
	20,758	17,644

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

	2011	2010
Receivables and other assets (non-current)		
Loans to employees	1,026	1,026
Deposits and guarantees	3,856	3,937
	4,882	4,963
Receivables and other assets (current)		
Loans to venturers in UTEs and joint ventures	25,400	26,602
Interest	2,219	2,267
Short-term guarantee deposits	916	310
	28,535	29,179

The loans to partners in UTEs and joint ventures earn interest at market Euribor +120bp (2010: 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.

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14. Financial assets at fair value through profit or loss

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

	2011	2010
Opening balance	68,011	31,519
Net additions (disposals) (fair value)	(17)	36,492
Closing balance	67,994	68,011

Listed securities:		
- Investments in short-term fixed income securities	56,715	60,926
- Investments in listed equity securities	11,279	7,085
	67,994	68,011

All these financial assets are designated as held for trading.

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

In 2011, the Group invested €16,963k in funds and disposed of 18,090k. Additions in 2010 were €40,000k.

The changes during the year in the fair value of financial assets at fair value through profit or loss are recognised in "Net gains/losses on changes in the fair value of financial instruments at fair value through profit or loss" within finance income. In 2011, the Group recognised a loss of €1,331k in this respect (2010: loss of €418k) (Nota 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 2011 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

	2011	2010
Cash at bank and on hand	357,686	247,874
Short-term bank deposits and other cash equivalents	349,793	270,927
	707,479	518,801

This heading includes cash (cash in hand and deposits held at call with banks) 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 short-term bank deposits earn interest at market rates.

Of total cash and cash equivalents at 31 December 2011, €497,986k (2010: €371,802k) 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 year-end.

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

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16. Capital

	Share capital	Share premium	Treasury shares	Total
Balance at 1 January 2010	5,590	8,691	(56,257)	(41,976)
Purchase of treasury shares	-	-	-	-
Balance at 31 December 2010	5,590	8,691	(56,257)	(41,976)
Other movements	-	-	(17,114)	(17,114)
Balance at 31 December 2011	5,590	8,691	(73,371)	(59,090)

At 31 December 2011 and 2010 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 2011 and 2010 is set forth below:

	2011		2010	
	Number of treasury shares	Amount	Number of treasury shares	Amount
Opening balance	1,581,135	56,257	1,581,135	56,257
Additions / purchases	573,189	17,114	-	-
Decreases / sales	-	-	-	-
Other movements	-	-	-	-
Closing balance	2,154,324	73,371	1,581,135	56,257

At 31 December 2011 treasury shares represented 3.85% of the parent company's share capital (2010: 2.83%). Treasury shares totalled 2,154,324 shares (2010: 1,581,135 shares), acquired at an average price of €34.33 per share (€35.58 per share in 2010).

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 Ibex-35 benchmark index.

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

Shareholder	2011		2010	
	No. of shares	Ownership interest, %	No. of shares	Ownership interest, %
Aragonesas Promoción de Obras y Construcciones, S.L.	2,848,383	5.10%	2,848,383	5.10%
Araltec, S.L.	17,882,564	31.99%	17,882,564	31.99%
Bilbao Vizcaya Holding	1,262,070	2.26%	1,262,070	2.26%
BBVA Elcano Empresarial, SCR, S.A.	1,213,533	2.17%	1,213,533	2.17%
BBVA Elcano Empresarial II, SCR, S.A.	1,213,533	2.17%	1,213,533	2.17%
Other shareholders (including free float)	29,321,593	52.46%	29,321,593	53.48%
Treasury shares	2,154,324	3.85%	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 37.09%.

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 43.8% of the voting rights in TÉCNICAS REUNIDAS, S.A.

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17. Other reserves

The entire balance, at €1,137k (2010: €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 2010	(4,348)
Translation differences:	
– Group companies and associates	4,221
31 December 2010	(127)
Translation differences:	
– Group companies and associates	(371)
31 December 2011	(498)

A breakdown of cumulative translation differences by company / subgroup at year-end 2011 and 2010 is as follows:

	2011	2010
Company or subgroup		
Damietta LNG Construction (Egypt)	(659)	(539)
Técnicas Reunidas Metalúrgicas, S.A. (Chile)	-	-
Técnicas Reunidas Gulf Ltd. (Saudi Arabia)	314	1,884
Técnicas Reunidas Omán LLC (Oman)	(383)	(506)
Técnicas Reunidas Engineering LLC (Oman)	-	(40)
Technip Consortium (TPC) (*) (Vietnam)	-	(558)
Other	230	(368)
Total	(498)	(127)

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

19. Dividend distribution and non-controlling interests

The proposed distribution of 2011 profit to be put before the parent company's shareholders in general meeting and the ratified distribution of 2010 profit is set forth below:

	2011	2010
Basis of appropriation		
Profit (loss) for the year	77,166	87,205
	77,166	87,205
Distribution		
Retained earnings	4,346	14,423
Dividends	72,820	72,782
	77,166	87,205

The breakdown of dividends is as follows:

- 2011: The €72,820k dividend consists of the following:
 - o A €35,846k interim dividend approved by the Board of Directors on 15 December 2011 and paid on 20 January 2011.
 - o A final dividend of €36,974k to be approved at the AGM called to ratify the 2011 annual accounts.

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

The following are the provisional accounting and cash statements as of the date of payment of the interim dividends from 2011 and 2010 profits, as detailed above:

	2011	2010
Estimated profit for the year	155,500	110,500
Estimated income tax	(22,600)	(15,000)
Maximum possible payout	132,900	95,500
Proposed payout	(35,846)	(35,848)
Surplus	97,054	59,602
Cash balance prior to payout	650,000	505,000
Interim dividend	(35,846)	(35,848)
Cash surplus	614,154	469,152

Non-controlling interests

Movements in non-controlling interests in 2011 and 2010 are analysed below:

	01/01/2010	Profit (loss)	Trans. diff	31/12/2010	Profit (loss)	Trans. diff	Other movements	31/12/2011
Eurocontrol, S.A.	1,930	150	-	2,080	151	-	-	2,231
TR Engineering LLC	1,211	722	548	2,481	(533)	(15)	-	1,933
Other	3,351	(6,805)	(105)	2,977	6,157	44	(4,624)	4,554
Total	6,492	(5,933)	443	7,538	5,775	29	(4,624)	8,718

20. Trade and other payables

- a) Trade payables are analysed below:

	2011	2010
Payable to suppliers	1,753,103	1,958,028
Prepayments received for contract work	344,497	277,179
Other	46,355	5,793
	2,143,955	2,241,000

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b) Other payables are set out below:

	2011	2010
Non-current		
Finance lease liabilities	1,117	1,335
Other items	-	-
	1,117	1,335
Current		
Finance lease liabilities	286	228
Dividends payable	35,846	35,848
Other items	15,922	5,626
	52,054	41,702

Non-current finance lease liabilities fall due as follows:

	2011	2010
Between 1 and 2 years	1,073	1,291
Between 2 and 5 years	44	44
Over 5 years	-	-
	1,117	1,335

The above amounts represent minimum lease payments discounted to their present value. Future financial charges under finance leases total €260k (2010: €218k). 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

	2011	2010
Non-current		
Borrowings	29,952	27,037
	29,952	27,037
Current		
Borrowings	5,336	34,283
	5,336	34,283
Total borrowings	35,288	61,320

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

	2011		2010	
	Euro	USD	Euro	USD
Borrowings	3.02%	3.50%	1.53%	1.33%

Borrowings totalling €29,683k (2010: €26,890k) fund the construction of concession assets (Note 7). These loans are secured, with the concession assets as collateral.

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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:

	2011	2010
Euro	31,166	56,074
US dollars and other currencies	4,122	5,246
	35,288	61,320

The Group has the following undrawn credit lines:

Floating rate:	2011	2010
– Maturing in less than one year	103,605	63,949
– Maturing in more than one year	-	-
	103,605	63,949

22. Employee benefits

At 31 December 2011 and 2010, 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 2011 there are no assets linked to the defined benefit commitments with employees.

	2011	2010
Balance sheet commitments:		
Pension and retirement benefits	5,705	5,315
Non-current remuneration obligations	596	508
	6,301	5,823
Income statement charges:		
Pension and retirement benefits (Note 26)	1,077	404
Non-current remuneration obligations (Note 26)	90	155
	1,167	559

Pension and retirement benefits

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

	2011	2010
Present value of obligations at 1 January	5,315	5,355
Cost of services for the current year	689	686
Interest cost	288	338
Benefits paid and expenses	(687)	(444)
Actuarial gains/(losses)	100	(620)
Balance sheet liability	5,705	5,315

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

	2011	2010
Opening balance	5,315	5,355
Expense charged to the income statement (Note 26)	1,077	404
Contributions paid	(687)	(444)
Closing balance	5,705	5,315

The amounts recognised in the income statement are as follows:

	2011	2010
Cost of current services	689	686
Interest cost	288	338
Actuarial gains/(losses)	100	(620)
Total included in employee benefit expense (Note 26)	1,077	404

The principal actuarial assumptions used are as follows:

	2011	2010
Annual discount rate	4.80%	4.25%
Annual salary growth	3.00%	3.00%
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:

	2011	2010
Present value of obligations at 1 January	508	358
Cost of services for the current year	82	57
Interest cost	29	24
Benefits paid and expenses	(3)	(5)
Actuarial gains/losses)	(21)	74
Balance sheet liability	595	508

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

	2011	2010
Opening balance	508	358
Expense charged to the income statement (Note 26)	90	155
Contributions paid	(3)	(5)
Closing balance	595	508

The amounts recognised in the income statement are as follows:

	2011	2010
Cost of current services	82	57
Interest cost	29	24
Actuarial (gains)/losses	(21)	(5)
Total included in employee benefit expense (Note 26)	90	76

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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 01/01/2010	2,670	17,567	4,295	24,532
Reversals / Amounts used	(260)	(7,452)	(3,295)	(11,007)
Amounts provisioned	696	-	4,000	4,696
Balance at 31/12/2010	3,106	10,115	5,000	18,221
Reversals / Amounts used	(2,410)	(7,338)	(3,500)	(13,248)
Amounts provisioned	1,114	1,731	10,412	13,257
Balance at 31/12/2011	1,810	4,508	11,912	18,230

Provision for estimated project losses:

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

Provision for project completion:

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 2011 and 2010 relate to the following projects:

Project division	2011	2010
Oil and gas	2,750	7,194
Power	-	-
Other	1,758	2,921
Total	4,508	10,115

Other provisions:

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 2010	4,238
Reversals / Amounts used	(1,484)
Amounts provisioned	3,828
Balance at 31 December 2010	6,582
Reversals / Amounts used	(5,685)
Amounts provisioned	601
Balance at 31 December 2011	1,498

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24. Revenue

	2011	2010
Construction and engineering contract revenue	2,612,609	2,771,278
Services rendered	35	88
Total revenue	2,612,644	2,771,366

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

25. Other expenses and income

	2011	2010
Other operating expenses		
Services	219,838	259,322
Independent professional services	32,874	18,444
Repairs and maintenance	6,472	5,242
Banking and similar services	5,933	6,198
Transport expenses	525	96
Insurance premiums	3,467	4,634
Utilities	2,492	3,526
Other	9,472	15,616
	281,073	313,078
Other income		
Grants related to income	877	755
Other	2,955	1,806
	3,832	2,561

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

	2011	2010
Wages and salaries, including termination benefits amounting to €2,072k (2010: €2,578k)	304,834	289,501
Social security contributions	45,768	44,849
Pension cost – pension and retirement benefit plans (Note 22)	977	404
Non-current remuneration obligations (Note 22)	90	76
	351,669	334,830

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 lease term at market rents.

Minimum future payments on irrevocable operating leases are as follows:

	2011	2010
Less than 1 year	12,940	15,706
Between 1 and 5 years	13,923	15,474
Over 5 years	136	154

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Operating lease expense recognised in the income statement amounted to €42,858k (2010: €60,599k) and corresponds in its entirety to minimum lease payments.

28. Finance income and finance cost

	2011	2010
Finance income		
Interest income from short term bank deposits and other deposits	9,178	11,535
Net gains/losses on changes in the fair value of financial instruments at fair value through profit or loss and other gains / losses	1,331	418
Net foreign exchange gains	452	2,006
	10,961	13,959
Finance costs		
Interest expense on bank loans and other borrowings	(4,264)	(3,668)
Interest arising on tax assessments (Note 29.1)	-	(3,942)
	(4,264)	(7,610)
	6,697	6,349

Note 10 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.

	2011	2010
Current tax	18,799	25,008
Deferred tax	1,076	(505)
Outcome of tax assessments (Note 29.1)	-	37,426
	19,875	61,929

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:

	2011	2010
Profit before tax	155,195	159,861
Tax calculated at the tax rate applicable to the parent company's tax income	46,559	47,958
Tax-free earnings	(29,179)	(30,814)
Expenses not deductible for tax purposes	349	192
Effect of differences in foreign tax rates	(2,799)	(2,226)
Tax on unrecognised tax losses generated by foreign subsidiaries	7,555	9,884
Deductions applied and non-recoverable withholdings on foreign subsidiaries (net)	(2,610)	(491)
Tax expense	19,875	24,503

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The effective tax rate was 13% (16% in 2010), 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

	2011	2010
Deferred income tax assets		
- to be recovered after more than 12 months	24,431	24,464
- to be recovered within 12 months		
	24,431	24,464
Deferred income tax liabilities		
- to be recovered after more than 12 months	(5,255)	(6,762)
- to be recovered within 12 months		
	(5,255)	(6,762)

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

	Assets	Liabilities
1 January 2010	22,696	(5,808)
Charged to the income statement	(3,602)	-
Credited to the income statement	6,009	(954)
Charged directly to equity	(639)	-
31 December 2010	24,464	(6,762)
Charged to the income statement	(4,298)	-
Credited to the income statement	3,867	1,507
Charged directly to equity	398	-
31 December 2011	24,431	(5,255)

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

	2011	2010
Unused tax losses carried forward	-	3,414
Unused tax credits carried forward	-	-
Tax credits arising from temporary differences:		
- Provisions for liabilities and charges	8,134	6,014
- Pension plans	1,711	1,662
- Standardisation of project assessments and other	13,821	12,795
- Hedging reserve	572	204
- Other items	193	376
	24,431	24,465

	2011	2010
Hedging reserve	-	(238)
- Standardisation of project assessments and other	(5,255)	(6,524)
	(5,255)	(6,762)

There are no unused recognised tax losses at year-end 2011. At year-end 2010, there were recognised tax losses amounting €11,381k (tax deduction of €3,414k).

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.

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In addition, the Group has €25,183k of accumulated tax losses (tax deduction of €7,555k) at year-end 2011 (2009: €32,947k, tax deduction of €9,884k) 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 to equity in 2011 amounted to a credit of €342k (2010: charge of €639k).

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

	2011			2010		
	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
Cash flow hedges	(36,522)	368	(36,894)	(5,987)	(453)	(6,440)
Currency translation differences	(342)	-	(342)	4,664	-	4,664
Actuarial gains/(losses)	(100)	30	(70)	620	(186)	434
Other comprehensive income	(36,967)	398	(37,306)	(703)	(639)	(1,342)
Current tax	-	-	-	-	-	-
Deferred tax	-	398	-	-	(639)	-

At 31 December 2011, the Group had no unused tax credits.

29.1 Tax inspections concluded in 2010

As notified to the stock market regulator in a significant event filing on 10 September 2010, in 2010 the Spanish tax authorities concluded the tax inspections of the Group's Spanish companies initiated in 2008.

The agreement reached concluded that the transfer prices invoiced by the Group companies needed to be increased. This assessment generated an additional tax liability of €22,561k plus related interest expense of €3,615k.

The Group 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 aggregate tax expense payable in respect of those years increased by €13,129k. The same criteria were used to measure transfer prices in 2010 and 2011.

The Company recognised all the related accounting consequences, which implied a charge to income tax expense in the wake of the inspections of €37,426k, in its 2010 income statement.

30. Earnings per share

a) Basic earnings per share

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 earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential 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.

	2011	2010
Profit attributable to owners of the parent	129,545	103,865
Weighted average number of ordinary shares in issue	53,741,676	54,314,865
Basic earnings per share (€ per share)	2.41	1.91

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31. Dividend per share

In 2011 the dividends paid against 2010 profits amounted to €72,782k (of which €35,848k was declared in 2010 and paid as an interim dividend), which translates into a dividend per share of €1.34.

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.

The dividend against 2011 profits to be submitted to the general meeting called in 2012 to ratify the accompanying consolidated annual accounts is estimated at €72,820k (of which €35,846k was declared in 2011 as an interim dividend), which translates into a dividend per share of €1.35. 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 €1,848,418k (2010: €1,724,531k) 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 guarantees, which must be upheld for a specified period.

As detailed in Note 21, borrowings totalling €29,683k (€26,890k at year-end 2010) fund the construction of concession assets. These loans are secured by the concession assets (Note 7).

33. Commitments

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is 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 2011 with respect to the Group companies to which the new disclosure requirements apply, concluding that no material balances outstanding were past due by more than the legally established payment terms.

34. Related-party transactions

Transactions with related parties in 2011 and 2010 arose in the ordinary course of business. The following transactions were carried out with related parties:

a) Transactions with the Company's core shareholders

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

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

Set out below are details of these transactions at 31 December 2011 and 2010:

	2011	2010
Credit facilities	10,000	20,000
Drawn balances	-	1,821
Guarantees furnished	309,861	393,295

The average interest rate on these borrowings was 1.30 % (2010: 1.30%).

The Group has contracted forward currency transactions with the BBVA Group, the notional values of which totalled USD472,030k at year-end 2011 (2010: USD492,330k).

In addition, the Group has opened 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 2011 the balance in these current accounts was €177,152k (2010: €101,719k).

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.

	2011	2010
Finance costs	1,524	1,480
Finance income	1,320	24

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:

	2011				2010			
	Trade receivables	Payable to suppliers	Purchases	Sale of goods	Trade receivables	Payable to suppliers	Purchases	Sale of goods
Isolux-Corsan	-	-	-	-	-	424	424	-

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:

	2011	2010
Finance costs	1,280	967
Finance income	1,418	846

	2011	2010
Credit facilities	30,000	30,000
Drawn balances	-	5,887
Guarantees furnished	369,794	315,706

The average interest rate on these borrowings was Euribor + 0.80% (2010: Euribor + 0.80%).

The Group has contracted forward currency transactions with Banco Santander, the notional values of which totalled USD453,526k at year-end 2011 (2010: USD29,500k).

In addition, the Group has opened 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 2011 the balance in these current accounts was €159,398k (2010: €93,951k).

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

Senior management pay

In 2011, remuneration paid to the Group's senior management in respect of fixed and variable compensation totalled €5,320k (2010: €4,544k). Advances to senior management totalled €160k (2010: €180k).

c) Transactions with associates

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

	2011				2010			
	Trade receivables	Payable to suppliers	Purchases	Sale of goods	Trade receivables	Payable to suppliers	Purchases	Sale of goods
Empresarios Agrupados, A.I.E. E.A. Internacional, S.A.	1,299	1,827	7,588	2,871	806	189	10,120	2,965
Ibérica del Espacio, S.A.	9,698	98	1,031	11,692	4,003	721	1,078	53,319
	1,596	1	4	270	637	3	3	699

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:

	2011	2010
Assets:		
Non-current assets	153	225
Current assets	27,628	18,347
Total assets	27,781	18,572
Liabilities:		
Non-current liabilities	-	42
Current liabilities	40,047	47,477
Total liabilities	40,047	47,519
Net assets (liabilities)	(12,266)	(28,947)
Revenue	47,356	28,656
Expenses	(38,109)	(38,986)
Profit/(loss) after taxes	9,247	(10,330)

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

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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:	2011	2010
Non-current assets	47,405	48,226
Current assets	1,354,044	1,478,993
	1,401,449	1,527,219
Liabilities:		
Non-current liabilities	48,175	27,206
Current liabilities	1,256,316	1,375,251
	1,304,491	1,402,457
Net assets (liabilities)	96,958	124,762
Revenue	943,497	1,205,753
Expenses	(826,319)	(1,089,065)
Profit after tax	117,178	116,688

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 2011 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:

	2011	2010
Directors and senior management	25	25
Graduates, diploma holders and administrative staff	5,263	5,140
Skilled workers	724	710
Sales staff	21	38
	6,033	5,913

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

	2011	2010
Directors and senior management	-	-
Graduates, diploma holders and administrative staff	246	309
Skilled workers	67	5
Sales staff	-	4
	313	318

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

	2011			2010		
	Men	Women	Total	Men	Women	Total
Directors and senior management	23	2	25	23	2	25
Graduates, diploma holders and administrative staff	3,665	1,525	5,190	3,657	1,520	5,177
Skilled workers	429	285	714	429	285	714
Sales staff	16	4	20	28	10	38
	4,133	1,816	5,949	4,137	1,817	5,955

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

	2011			2010		
	Men	Women	Total	Men	Women	Total
Directors and senior management	-	-	-	-	-	-
Graduates, diploma holders and administrative staff	177	69	246	225	84	309
Skilled workers	49	18	67	1	4	5
Sales staff	-	-	-	4	-	4
	226	87	313	230	88	318

The average number employees at consolidated companies that had a disability of a severity of 33% or higher in 2011 and 2010 is as follows.

	2011	2010
Senior managers	-	-
Graduates, diploma holders and administrative staff	15	18
Skilled workers	1	2
Sales staff	1	1
	17	21

b) Audit fees

The fees accrued by PwC in 2011 for audit services rendered to Group companies amounted to €671k (2010: €676k). The fees accrued by companies using the PwC trademark in 2011 for services other than audit services amounted to €184k (2010: €255k).

c) 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 contents 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:

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- Mr. José Lladó Fernández-Urrutia is the Chairman of Técnicas Reunidas Internacional, S.A.
- Juan Lladó Arburúa is a non-executive director of Initec Plantas Industriales, S.A.U, Initec Infraestructuras, S.A.U, Empresarios Agrupados Internacional, S.A., Técnicas Reunidas Internacional, S.A, Española de Investigación y Desarrollo, S.A. and Eurocontrol, S.A. He is also member of the directors' committee of Empresarios Agrupados A.I.E. and is vice-president of Técnicas Reunidas Internacional, S.A and Eurocontrol, S.A., as well as sole director of Técnicas Reunidas Proyectos Internacionales, S.A.
- Mr. Javier Gómez Navarro is a non-executive Director of Grupo Isolux Corsán, S.A.
- Mr. William Blaine Richardson is a non-executive director who sits on the International Advisory Committee of Abengoa S.A.

d) 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 2011:

- Board meeting attendance fees received by all board members: €919k (2010: €826k).
- Wages and salaries: €756k (2010: €1,056k).
- Insurance premiums and pension plans: €19k (2010: €7k).

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TECNICAS REUNIDAS

Exhibit I

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2011

Subsidiaries included in the scope of consolidation – 2011

Company name	Registered business address	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.	Panamá	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	Property	Unaudited
Layar Real Reserva, S.A.	Madrid	100%	Layar, S.A.	Full	Property	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
ReciclaAguilar, 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 Construção 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
Técnicas ReunidasR RUP INSAAT TAAHHÛT Limited Sirketi	Istanbul	80%	Técnicas Reunidas, S.A.	Full	Engineering services	Unaudited
Técnicas Reunidas Dufi CCGT Kft	Budapest	80%	Técnicas Reunidas, S.A.	Full	Engineering services	Unaudited

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Subsidiaries included in the scope of consolidation - 2010

Company name	Registered business address	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.	Panamá	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	Property	Unaudited
Layar Real Reserva, S.A.	Madrid	100%	Layar, S.A.	Full	Property	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 Construção 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

notes to the consolidated

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TECNICAS REUNIDAS

Exhibit II

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2011

Associates included in the scope of consolidation - 2011

Company name	Registered business address	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
Máster S.A. de Ingeniería y Arquitectura	Barcelona	40.00%	Técnicas Reunidas, S.A.	Equity	Engineering services	Unaudited

Associates included in the scope of consolidation - 2010

Company name	Registered business address	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
Máster S.A. de Ingeniería y Arquitectura	Barcelona	40.00%	Técnicas Reunidas, S.A.	Equity	Engineering services	Unaudited

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TECNICAS REUNIDAS

Exhibit III

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2011

Joint ventures included in the scope of consolidation - 2011

Company name	Registered business address	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 DF	33.33%	Técnicas Reunidas, S. A.	Proportionate	Engineering services	PwC
Minatrico, S. de R.L. de C.V.	Mexico DF	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

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TECNICAS REUNIDAS

Exhibit III

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2011

Joint ventures included in the scope of consolidation - 2010

Company name	Registered business address	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 DF	33.33%	Técnicas Reunidas, S. A.	Proportionate	Engineering services	PwC
Minatrico, S. de R.L. de C.V.	Mexico DF	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

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TECNICAS REUNIDAS

Exhibit IV

UTES AND CONSORTIUMS IN WHICH THE CONSOLIDATED COMPANIES HAVE INTERESTS – 2011

UTE/Consortium name	Ownership Interest	UTE/Consortium name	Ownership Interest
TR FRANCE BRANCH	100%	UTE INITEC INFRA/EVREN EVAL.RECURSOS	70%
TR KHABAROVSK BRANCH	100%	UTE INITEC/PYCSA ALBERCA DEL JUCAR	70%
TR MOSCOW BRANCH	100%	UTE TR/ARDANUY ALGECIRAS	70%
UTE ALQUILACION CHILE	100%	UTE TR/SEG PROY.NT AENA	70%
UTE EP SINES	100%	UTE TR/ALTAMARCA/HMF C.ALCOBENDAS	67%
UTE HDT/HDK FASE II	100%	UTE TR/SENER PROEYCTO HPP GEPESA	60%
UTE HYDROCRACKER HUNGARY	100%	UTE TR/FERROVIAL LA PLANA DEL VENT	57%
UTE INITEC/TR JU'AYMAH GPE	100%	UTE TR/LOGPLAN A.T.AENA	55%
UTE INITEC/TR MEJILLONES	100%	UTE TR/PAI URBANIZACION CALAFELL	55%
UTE INITEC/TR PLANTAS HDT Y HCK	100%	EDIFICIO PIF AEROPUERTO BARCELONA	55%
UTE INITEC/TR RKF ARGELIA	100%	UTE INFRA/FULCRUM SRPHCS	51%
UTE INITEC/TR SAIH RAWL	100%	UTE INITEC INFRA/FULCRUM CUENCAS AT.ANDAL.	51%
UTE INITEC/TR TFT ARGELIA	100%	UTE CARGA ITOIZ	50%
UTE TR POWER	100%	UTE INITEC I./GEOCART CATASTRO R.D.	50%
UTE TR/ALTAMARCA COMPLEJO LA VIÑA	100%	UTE INITEC I./KV CONS.CONDUCCION DE TABERNAS	50%
UTE TR/ALTAMARCA PISCINA CUBIERTA	100%	UTE INITEC P.I./SPIE CAPAG MEDGAZ	50%
UTE TR/ESPINDESA	100%	UTE INITEC/FOSTER ACONCAGUA II	50%
UTE TR/ESPINDESA - PEL SINES	100%	UTE IPI/ACCIONA 5º TANQUE CARTAGENA	50%
UTE TR/ESPINDESA - TR AKITA	100%	UTE PEIRAO XXI	50%
UTE TR/I.P.I. TR JUBAIL	100%	UTE PRESA ITOIZ	50%
UTE TR/I.P.I. ABUH DABIH -SAS	100%	UTE PRESA LOTETA	50%
UTE TR/I.P.I. C.P.BIO BIO	100%	UTE PROVER	50%
UTE TR/I.P.I. FENOLES KAYAN	100%	UTE RUZAFIA	50%
UTE TR/I.P.I. OFFSITES ABUH DABIH	100%	UTE TR/ANETO RED NORTE OESTE	50%
UTE TR/INITEC DAMIETTA LNG	100%	UTE TR/ASFALTOSY CONS.APARCAM.ALCOBENDAS	50%
UTE TR/INITEC EBRAMEX INGENIERIA	100%	UTE TR/GDF AS PONTES	50%
UTE TR/INITEC INFRA CONS.COMP.LA VIÑA	100%	UTE TR/GDF BARRANCO DE TIRAJANA	50%
UTE TR/INITEC INFRA CONS.PC.HUERCAL OVERA	100%	UTE TR/GDF CTCC BESOS	50%
UTE TR/INITEC INFRA CONSTRUCCI.PARCELA S	100%	UTE TR/GDF CTCC PUERTO DE BARCELONA	50%
UTE TR/INITEC JV HAWIYAH GPE	100%	UTE TR/GUEROLA CENTRAL TERMOSOLAR	50%
UTE TR/INITEC KJT PR. LNG	100%	UTE TR/KV CON.PL.Y URB.ZALIA	50%
UTE TR/INITEC MINATRICO INGENIERIA	100%	UTE TR/RTA VILLAMARTIN	50%
UTE TR/INITEC P.I. JV TR RABIGH DP	100%	UTE TR/SEG PORTAS	50%
UTE TR/INITEC PROYECTO DGC CHILE	100%	UTE TR/SERCOAL CENTRO DE DIA	50%
UTE TR/INTERCONTROL VARIANTE PAJARES	100%	UTE TR/SERCOAL EDIFICIO SERVICIOS MULTIPLES	50%
UTE TR/IONICS RAMBLA MORALES	100%	UTE TR/TRIMTOR DEP.CAÑADA GALLEGO	50%
UTE TR/IPI ELEFSINAS	100%	UTE TR/TRIMTOR EDAR LIBRILLA	50%
UTE TR/IPI KHABAROVSK	100%	UTE VALORIZA TR SS2	50%
UTE TR/IPI REFINERIA SINES GALP	100%	UTE PERELLO tr/vialobra	50%
UTE TR/TREC OPER.DESALADORA R.MORALES	100%	UTE ENSA/TR CAMBIADORES TAISHAN	50%
UTE TR/TT HORNOS RUSIA	100%	UTE ROSELL INFRA/COMAYPA	50%
UTE RUP TURQUIA	100%	UTE INITEC-INTRAESA Tramo II	50%
UTE TR YANBU REFINERY - TRYR	100%	UTE INITEC-INTRAESA Tramo I	50%
UTE TR ABU DHABI SHAH I	100%	UTE PARQUE RIBALTA	50%
UTE MARGARITA	100%	UTE COMAYPA INITEC TVR-CAS	50%
UTE TANQUE MEJILLONES	100%	UTE TR/GEA/SANHER EL CARAMBOLO.	40%
TR ABU DHABI SAS BRANCH	100%	UTE INITEC/FOSTER/MAN ACONCAGUA I	33%
UTE INITEC INFRA/BLC/FBA NAT AEROP.REUS	90%	UTE TRISA/AST. PET./ODEBRECHT EBRAMEX SUMI.	33%
UTE TR/SOLAER I.S.F. MORALZARZAL	90%	UTE TRISA/AST. PET./MINATRICO SUMINISTROS	33%
UTE TR/TECNORESIDUOS PT VALDEMINGOMEZ	90%	UTE IPI/TECHNIGAZ TZI CARTAGENA	30%
UTE TR/GEA COLECTOR PLUVIALES H.O.	80%	UTE TR/IONICS/TCOSA/CHSA DEP.OROPESA	25%
UTE INITEC I./AN + PD S.C. AEROP.DE SANTIAGO	72%	VIETNAM	20%
		UTE INFRA/INTECSA PTA CARGA LA LOTETA	50%

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TECNICAS REUNIDAS

Exhibit IV

UTES and consortiums in which the consolidated companies have interests – 2010

UTE/Consortium name	Ownership Interest	UTE/Consortium name	Ownership Interest
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TR KHABAROVSK BRANCH	100%	UTE INITEC/PYCSA ALBERCA DEL JUCAR	70%
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UTE HYDROCRACKER HUNGARY	100%	UTE TR/FERROVIAL LA PLANA DEL VENT	57%
UTE INITEC/TR JU'AYMAH GPE	100%	UTE TR/LOGPLAN A.T.AENA	55%
UTE INITEC/TR MEJILLONES	100%	UTE TR/PAI URBANIZACION CALAFELL	55%
UTE INITEC/TR PLANTAS HDT Y HCK	100%	EDIFICIO PIF AEROPUERTO BARCELONA	55%
UTE INITEC/TR RKF ARGELIA	100%	UTE INFRA/FULCRUM SRPHCS	51%
UTE INITEC/TR SAH RAWL	100%	UTE INITEC INFRA/FULCRUM CUENCAS AT.ANDAL.	51%
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UTE TR/ALTAMARCA PISCINA CUBIERTA	100%	UTE INITEC P.I./SPIE CAPAG MEDGAZ	50%
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UTE TR/ESPINDESA - TR AKITA	100%	UTE PEIRAO XXI	50%
UTE TR/I.P.I. TR JUBAIL	100%	UTE PRESA ITOIZ	50%
UTE TR/I.P.I. ABUH DABIH -SAS	100%	UTE PRESA LOTETA	50%
UTE TR/I.P.I. C.P.BIO BIO	100%	UTE PROVER	50%
UTE TR/I.P.I. FENOLES KAYAN	100%	UTE RUZAFÁ	50%
UTE TR/I.P.I. OFFSITES ABUH DABIH	100%	UTE TR/ANETO RED NORTE OESTE	50%
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UTE TR/INITEC INFRA CONS.PC.HUERCAL OVERA	100%	UTE TR/GDF CTCC BESOS	50%
UTE TR/INITEC INFRA CONSTRUCCI.PARCELA S	100%	UTE TR/GDF CTCC PUERTO DE BARCELONA	50%
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UTE TR/INITEC KJT PR. LNG	100%	UTE TR/KV CON.PL.Y URB.ZALIA	50%
UTE TR/INITEC MINATRICO INGENIERIA	100%	UTE TR/RTA VILLAMARTIN	50%
UTE TR/INITEC P.I. JV TR RABIGH DP	100%	UTE TR/SEG PORTAS	50%
UTE TR/INITEC PROYECTO DGC CHILE	100%	UTE TR/SERCOAL CENTRO DE DIA	50%
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UTE TR/IPI ELEFSINAS	100%	UTE TR/TRIMTOR EDAR LIBRILLA	50%
UTE TR/IPI KHABAROVSK	100%	UTE VALORIZA TR SS2	50%
UTE TR/IPI REFINERIA SINES GALP	100%	UTE PERELLO tr/vialobra	50%
UTE TR/TREC OPER.DESALADORA R.MORALES	100%	UTE ENSA/TR CAMBIADORES TAISHAN	50%
UTE TR/TT HORNOS RUSIA	100%	UTE ROSELL INFRA/COMAYPA	50%
UTE RUP TURQUIA	100%	UTE INITEC-INTRAESA Tramo II	50%
UTE TR YANBU REFINERY - TRYR	100%	UTE INITEC-INTRAESA Tramo I	50%
UTE TR ABU DHABI SHAH I	100%	UTE PARQUE RIBALTA	50%
UTE MARGARITA	100%	UTE COMAYPA INITEC TVR-CAS	50%
UTE TANQUE MEJILLONES	100%	UTE TR/GEA/SANHER EL CARAMBOLO.	40%
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UTE INITEC INFRA/BLC/FBA NAT AEROP.REUS	90%	UTE TRISA/AST. PET./ODEBRECHT EBRAMEX SUMI.	33%
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UTE TR/TECNORESIDUOS PT VALDEMINGOMEZ	90%	UTE IPI/TECHNIGAZ TZI CARTAGENA	30%
UTE TR/GEA COLECTOR PLUVIALES H.O.	80%	UTE TR/IONICS/TCOSA/CHSA DEP.ROPESA	25%
UTE INITEC I/AN + PD S.C. AEROP.DE SANTIAGO	72%	VIETNAM	20%

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TECNICAS REUNIDAS

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. Financial indicators

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

In 2011, the Group's revenue narrowed 6% year-on-year to €2.61 billion, driven by unforeseen delays in awarding and converting new contracts.

Operating profit was €151.3 million, implying an EBIT margin of 5.8%, while net profit rose by 39% over 2010 to €135.3 million.

2. Research and development

In recent years, Técnicas Reunidas has earmarked significant sums to its R&D effort with a view to developing new technology in multiple areas such as materials, energy and environmental protection, all with a strategic focus on boosting business diversification and in collaboration with other companies with equally strong research commitments. By the same token, the Company is forging closer ties with public research organisms and technology centres.

The R&D effort amounted to €3 million in 2011, up from €2.19 million in 2010. The number of people attached to the Company's technology centre rose substantially from 47 in 2010 to 67 in 2011.

Técnicas Reunidas is currently involved in strategic consortiums working on a number of research projects at both the Spanish and European levels:

- The CENIT (acronym in Spanish for the National Strategic Consortia for Technical Research programme) BioSos project for sustainable bio-refining, researching how to use biomass materials to create monomer synthesis routes to obtain products for the construction sector. This work is being spearheaded by the Processes Department and has a budget of €1.8 million.
- The CENIT VERDE project for the development of the recyclable electric vehicle, in which the Company is responsible for recycling the lithium contained in the batteries. The project has a budget of €1.88 million.
- The CENIT TRAINER project for the development of new autonomous and smart material regeneration technology. The Company's task is to develop self-repairing materials that act against corrosion. The project has a budget of €1.46 million.
- The CENIT LIQUION project researching ionic liquids for industrial applications. TR is developing non-conventional metal extraction lines and energy storage systems. The budget is €2.73 million.
- The CENIT AZIMUT offshore energy 2020 project, for which TR is developing energy storage systems based on redox flow batteries. The budget is €2.17 million.

Also in 2011, funds were granted for the Innpronta ITACA project in which TR is involved and which consists of research into treatment, reuse and monitoring technology for the future sustainability of waste water filtering. The Company's budget is €2.7 million. Noteworthy European initiatives include the GREENLION project for which the Company is developing battery recycling technology based on lithium chemistry (Técnicas Reunidas' budget is €0.63 million) and the CERAMPOL project for the development of next generation membranes for water treatment (budget: €0.65 million).

With respect to the portfolio of technology already developed in-house, the Company is working extremely hard on the first industrial implementation of the PLINT process for recovering lead and silver. To this end it is making a major effort to fine-tune the process and enhance the pilot facility with a budget of close to €0.4 million, while simultaneously working on the first live installation at the Horsehead project in the US.

The Company is also working on developing its patented ZINCEX™ conversion process to extend its use to conventional raw materials, i.e., zinc sulphur concentrates. There are at least three possible candidates for this technology development: (1) conversion of the Skorpion Zinc plant in Namibia for Vedanta; (2) the Ozernoe project in Russia for MBC; and (3) two zinc plants in Bolivia for Comibol.

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3. Events after the end of the reporting period

The economic and business environment characterising the second half of 2011 has remained unchanged during the early months of 2012. The economic uncertainty triggered by the eurozone debt crisis lingers and continues to have a direct impact on global financing conditions. Elsewhere, raw material prices, particularly crude oil prices (Brent) continue to fluctuate widely and could affect customer investment decisions. Official estimates point to growth in demand for crude oil in 2012 and, by extension, the need to continue to invest in the energy sector.

Although the sector's prospects remain positive and point to continued investing activity, global economic conditions could result in delays in tender awards and conversion to open book formulae.

Subsequent to year-end, the Company signed a new contract that is not reflected in the 2011 financial statements. In early 2012, Incitec Pivot Ltd (IPL) awarded Técnicas Reunidas the front end engineering design (FEED) work for a new petrochemical complex for the production of nitric acid and ammonium nitrate in Kooragang Island, Newcastle, in New South Wales, Australia. Incitec Pivot also selected TR's technology and know-how for the liquid ammonium nitrate and nitric acid plants. This milestone marks Técnicas Reunidas' third new client win in Australia.

4. Treasury shares

The Company bought back own shares in 2011. Between July and August it increased its treasury position by 573,189 shares, equivalent to 1.03% of share capital. As a result, at year-end 2011 the Company held 3.85% of its share capital as treasury stock.

5. 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.

6. 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 Company 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 Company'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 Company'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.

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7. Average Group headcount by category

	<u>2011</u>	<u>2010</u>
Board members	2	2
Senior managers	23	23
Graduates, diploma holders	5,263	5,140
Skilled workers	724	709
Sales staff	21	38
TOTAL	6,033	5,912

8. Environmental costs/assets

Given the activities in which the Company is involved, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of its equity, financial position or performance.

Environmental protection is a priority for TR. TR is a finalist for the 2011/12 edition of the European Business Awards for the Environment (specifically in category B, Major Corporations, Product, at the national level, for the development of a new product or service that makes an outstanding contribution to sustainable development). These prizes are awarded bi-annually with the goal of publicly acknowledging companies whose initiatives have contributed to compliance with the sustainable development principles and whose efforts in this field could serve as an example to other companies. The project submitted by the Company is called Research into Ionic Liquid Technology for Use in Industry which is a process for extracting metals using ionic liquids.

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

The 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 next table lists the significant shareholdings in the Company:

Shareholder		No. of shares	Ownership interest
Araltec, S.L.	Direct	17,882,564	31.99%
Aragonesas Promoción de Obras y Construcciones, S.L.	Direct	2,848,383	5.10%
Causeway Management LLC	Capital Direct	1,681,350	3.01%

10. 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.

11. 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.

12. 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. Directors are appointed, subject to a 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 Corporate Enterprises 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).

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13. 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.

14. 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.

15. 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 are agreements with three senior officers providing for legally-stipulated termination benefits in the case of unfair dismissal and benefits amounting to €1,891k in the case of dismissal for just cause, a redundancy program or as a result of any other decision taken by the Company.

16. Corporate governance report

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

The report can also be downloaded from the CNMV's website.



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