consolidated financial statements, management report and audit report 2012

TECNICAS REUNIDAS

TECNICAS REUNIDAS

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES

Consolidated annual accounts for the year ended December 31, 2012
and 2012 Directors' Report

TECNICAS REUNIDAS

Contents of the consolidated annual accounts of Técnicas Reunidas, S.A. and subsidiaries

Note

The fundamentals governing the energy sector continue to be positive. Estimated global energy demand, our customers' investment plans, and the development needs in the countries where we have or would like to have a presence all continue on a growth trend. In spite of this, the new conditions of the credit market have led to longer contract award times due to the greater time needed to formalize project financing. These conditions were evident in 2011, when TecnicasReunidas received the bulk of new projects at year end, changing in 2012, when the award of new contracts was evenly paced throughout the year. Without a doubt, however, the rhythm of contract awards obviously depends on client circumstances and their ability to access credit markets. Another aspect of the markets that has contributed to TecnicasReunidas' 2012 results is the rebound in the solid volume of orders from the Middle East. Over the last two years, TecnicasReunidas has been facing stiffer than normal price competition, leading to a lack of projects for the company and its European and Japanese competitors. This trend reversed in 2012 as customers have opted to diversify their project portfolios among contractors in the sector. Due to this, TecnicasReunidas has landed 5 new projects and once again recovered its portfolio in the region.

The year 2012 marks another year in which the company is proud of the results of its business development efforts. For several years, TecnicasReunidas has been analyzing the ramifications of greater competitive pressures and has been able to anticipate the need for geographic diversification and so avoid any excess dependency on a single account or the negative effects of any possible deterioration in the relations with a given client. For this reason, while making the effort to regain its footing in the Persian Gulf, the company has also been able to penetrate new markets and accounts, enhancing corporate growth prospects. In this way, new projects in 2012 comprise a more balanced geographic mix than in any previous year, with a strong presence in Europe, the Americas (Canada and Latin America), the Middle East, and Australia.

For TecnicasReunidas, greater geographic coverage also entails another positive sales impact, so that while some projects were contracted with existing customers, many new accounts have also entered the portfolio. This in turn has allowed the company to enjoy a more even client base among IOCs (internationally operating oil companies) and NOCs (national oil reserve production companies), and opens the door to additional projects with these customer accounts in other regions and/or product lines, allowing the company to demonstrate the value of its long track record in the market.

Contract awards in 2012 were more concentrated that in prior years. The oil and gas division was the most successful, landing a variety of projects in refining, petrochemicals, and oil and gas production.

For fiscal year 2012, profits after tax reached 136 million euros, representing a 0.8% growth over the previous year. Revenue from ongoing operations amounted to 2.652 billion euros, a 1.5% improvement over the prior year. As of December 31, 2012, the company had net cash position of 646 million euros. While the figures of mild growth in 2012 reflect the slowdown in new bid and contract processes in 2011, the company continues to enjoy both a solid cash position and healthy cash flow.

With respect to the distribution of group revenue by geographic region, one can observe that billing is evenly and well distributed. Income from activities in Spain amounted to 4% of the total, with 32% from the Middle East, and 64% from the rest of the world.

Contrary to the staff restructuring measures that many other Spanish companies have had to undertake, given the strength of the energy sector and the acknowledged technical expertise of Spanish engineers, TecnicasReunidas opted to take advantage of the opportunity to recruit high quality professionals, adding 17% more employees over the year before. As a result, at the close of 2012 the company had a total staff of 6,963 employees, demonstrating anew its flexibility in adapting to market needs and thereby more comfortably meet the challenge of future growth.

With regards to the behavior of the stock value during 2012, shares in TecnicasReunidas showed a positive return of 26%. During a year in which rumors of a bailout of the Spanish financial system have abounded, the performance of TR shares on the Ibex was among the best. As customary, TR met its objective of distributing 50% of profits as dividends, which amounted to a total dividend of 1.355 euros per share, marking a 1% increase over the prior year's figure, representing 56% of 2011 net profit.

The performance of each of TR's business lines was as follows:

Oil and Gas

In spite of the effects of the global financial crisis, the need for investment in the energy sector persists, propped by demand for raw materials and the socioeconomic development many non-OECD countries will enjoy over the next few years. The International Energy Agency, in its latest World Energy Outlook annual report, estimates a required combined investment of 18.919 trillion dollars over the next 23 years to meet the total demand of all countries. In the report, it is estimated that the demand for oil in 2035 will reach 99.7 barrels per day, representing a 14% increase over 2011, in other words, the need to add an additional 0.53 million barrels a day over the next 24 years. Regarding demand for gas, the International Energy Agency projects a total demand of 4.955 trillion cubic meters by 2035, a 49% increase over 2010 levels, translating into an annual increase of 66 billion cubic meters over the next 25 years. It is also worth noting in this year of crisis that the combined investment in oil and gas, based on a sample of 25 vertically integrated companies from among the most significant operators in the sector, increased by 7% over the previous year's figures. Turning to the projected investments over the next 25 years, the International Energy Agency predicts they will occur in those markets where the company either has a presence or has been undertaking a meticulous business development strategy for some time, as has been seen in 2012. Taken together, the data provide a promising long term outlook for the sector and allow the company to look forward confidently to a positive future.

In contrast with the previous year, which suffered some delays, 2012 has been a banner year for closing contracts, paced over all four quarters. The newly booked orders represent a client mix of both internationally integrated and national oil producing companies, highlighting both the satisfaction of existing customers, such as Repsol, Sabic, Saudi Aramco, or PDO, as well as the incorporation of new accounts to the portfolio, among which are Dow Chemical, Exxon Mobile, Canadian Natural Resources, Lukoil, Yara, Apache or Orica.

This diversification in accounts implies in many cases a concomitant increase in geographic coverage, meaning that, apart from maintaining a solid position in markets such as the Middle East and Latin America, new regions have been penetrated and/or expanded in operation, such as in the cases of Canada, Australia and Russia.

Revenues from this line of business in 2012 amounted to 2,298 million euros, similar to the prior year and equaling 87% of total sales.

a) Refining and Petrochemicals

- In February 2012, YPFB Refinacion, S.A. signed a turn-key engineering contract with TR, involving equipment, procurement, construction and operational start-up for updating the oil processing unit at the GualbertoVillarroel refinery in Cochabamba, Bolivia.

- During the first quarter, the company also closed on several basic engineering projects, or FEEDs (Front End Engineering and Design), for complex installations. On the one hand, Incitec Pivot selected TR for a new chemical complex in Newcastle, Australia, involving the construction of new nitric acid and ammonium nitrate facilities using proprietary TR technology. On the other, Petrochina and PDVSA signed a FEED project to build a hydrocracking facility at the Jieyang refinery in China.

- Toward the end of May, Burrup Nitrates Pty. Ltd., whose shares are 45% owned by YaraInternational ASA, 45% by Orica Limited, and 10% by Apache Corporation, selected TR for the TNA (Technical Ammonium Nitrate) production facility on the Burrup peninsula in Western Australia. The contract will be executed as a turn-key project and TR will be in charge of the design and construction of the following major processing facilities: ammonium nitrate liquor, nitric acid, and a DNA (Dry Nitric Acid) prilling unit. Yara chose TR as lead contractor on the overall project and selected TR technology and know-how (Espindesa) for the ammonium nitrate liquor and nitric acid facilities. This project was awarded to TR in the first quarter of the previous year, but changes in shareholder composition delayed project launch. TR remained confident that it would retain the order and, in the end, the project is once again part of the active portfolio, now greater in scope and, consequently, total amount. This project heralds the opportunity for TR to be able to develop new ties with the three companies in the consortium, all of which are important firms of significant weight in the sector.

- Also in May, TecnicasReunidas received award of a contract with Canadian Natural Resources, the bituminous sand exploitation firm of Alberta, covering the engineering, equipment supply and construction of vacuum distillation and solvent recovery facilities for improving crude quality north of Fort McMurray, Alberta, Canada, as a turn-key project. The contract covers design and detailed engineering, supply of all equipment and materials, construction, and assistance in operational start-up. The plant is to be designed and built using modular technology, minimizing project duration and work done on site, where weather conditions of extreme cold prevail. Canada possesses the third largest oil reserves in the world, 95% of which are located in Alberta. For this reason, TecnicasReunidas considers the Canadian market a priority, and through this project assures its entrance into a market destined for large investment in the near future, furthering the company's successful international expansion.

- In June, Saudi Basic Industries Corporation (SABIC), through its Petrokemya subsidiary, awarded TR an EPC (engineering, procurement, construction) contract to build a new 140 KTA acrylonitrile-butadiene-styrene (ABS) plant located in Al-Jubail, Saudi Arabia. The project entails: chemical storage, polybutadiene latex (PBL), High Rubber Graft (HRG), styrene-acrylonitrile copolymer (SAN), and petrochemical mixing and ancillary service facilities; as well as the packing facility; the unloading, storage and channeling of acrylonitrile; and the PK-East supply of raw materials their auxiliary service installations.

- In the same month, SABIC and Exxon Mobil, through their 50-50 consortium, KEMYA, awarded TR a turn-key project for two plants in its Saudi Elastomers Project (SEP) complex, whose mission is to produce new raw materials and elastomers primarily destined for the automotive industry and which will be made for the first time in Saudi Arabia. The scope of the work includes the Ethylene Propylene Diene Monomer (EPDM) and Polybutadiene Rubber (PBR) plants, and consists of the engineering, procurement of equipment and supplies, construction, and start-up of the plants. These will be built on the current grounds of KEMYA in Al Jubail. The technology for the EPDM plant will be licensed from Exxon-Mobil, and for the PBR plant from Goodyear. This project thus provides a special point of pride for the company, entailing as it does working with Exxon Mobil and representing a continuation of the expansion of its relationships with the primary vertically integrated oil companies.

- In July, the Sadara Chemical Company (Sadara), a joint venture between Saudi Aramco and The Dow Chemical Company, awarded TR the Chem-III project, part of the chemical complex being built by Sadara in "Jubail Industrial City II," in Saudi Arabia. TR will perform the detailed engineering, the procurement and supply of equipment and materials, plant construction and assistance during operational start-up of the facilities. The project covers the ethylene oxide, propylene glycol, polyol, ethanolamine, ethyleneamines and ether butyl glycol facilities, as well as the auxiliary installations and controls required for their operation. The SadaraJubail complex is the largest chemical complex in the world built in a single phase, so that participation in the project offers an opportunity to enhance the positioning of TR for large scale, complex investments in the industry.

- In the third quarter, TR also received the order to augment its initial engineering design contract (FEED) for Lukoil at the Volgogrado refinery, extending its work to include the engineering phase needed for the purchase of critical equipment requiring a long delivery cycle. With this project, TR continues to make a name for itself in the Russian market, one in which there are few contractors with references yet excellent prospects for investment in the region.

- During the final quarter of the year, Saudi Aramco selected TR for undertaking two turn-key contracts within the scope of its refining and maritime terminal project in Jazan. Saudi Aramco will be building a 400,000 bpd refinery and the installations for an hydrocarbon terminal as part of the overall development of Jazan Economic City, located in the province of Jazan, in southwest Saudi Arabia. The scope of the two projects includes construction of the diesel hydrocracking and hydrotreatment installations, under two separate contracts covering the engineering, procurement of equipment and materials, plant construction, pre-commissioning and support in facility start-up. The hydrocracking facility consists of two parallel lines with a total capacity of 54.5 kbpd and a 99.5% conversion ratio. The diesel hydrotreatment plant includes two independent lines designed for a capacity of 87.5 kbpd per riser. This hydrocracker will be one of the largest in the world and the second largest in Saudi Arabia.

The progress on the rest of the projects in the portfolio, awarded in prior years, proceeded as planned. At the close of the year, the projects that were closest to completion and therefore closer to their delivery were: the modernization project for the Khabarovsk refinery for the Russian OC Alliance, and the Al Jubail new refinery project for Saudi Aramco in Saudi Arabia.

On the other hand, finished projects delivered to customers included: the Sines refinery project for Galp in Portugal, the alkylation facility for Enap in Chile, the Mohammedia crude distillation facility for Samir in Morocco, and the Elefsina refinery for Hellenic Petroleum in Greece.

Natural Gas and Upstream

In the year 2012 the company has continued in the same markets, such as in the cases of Bolivia and Oman.

- In the first quarter of 2012, TR added to its portfolio the Margarita II gas processing project. Repsol YPF and E&P Bolivia S.A. signed a contract with TecnicasReunidas to perform the engineering, procurement and construction for the second phase of a gas processing plant in the Margarita field, situated in the Caipipendi district, in the south of Bolivia. The contract was awarded as a turn-key project and covers the detailed engineering, procurement of all equipment and materials, construction and assistance in the operational start-up in the second processing line, with a capacity for 6 million standard cubic meters per day, bringing the total capacity of the main processing facility up to 15 million standard cubic meters per day. The plant will be designed and built in a modular fashion. Also, the procurement and installation of an additional turbo generator to add to the existing ones to guarantee the supply of electric power to the plant. In 2010, TR was awarded phase I of the Margarita field, which means that this second contract reflects the complete satisfaction of the customer.

- In September, Petroleum Development Oman (PDO) awarded an EPC project to the consortium formed by Al Hassan Engineering Company and TecnicasReunidas for building a gas plant in the region of Zauliyah, Oman. The scope of the contract includes engineering, procurement, construction and plant start-up. This project will also be build in a modular fashion.

During the 2012 fiscal year, the projects which most contributed to divisional revenues were those of SAS and Shah, both for the Abu Dhabi Oil Company (ADNOC) in Abu Dhabi. In addition, the company completed work on the Margarita I Field in Bolivia for the consortium comprised of Repsol, British Gas, and Pan American Energy. At the time of this writing, delivery is also being made on the gas compression plant for Botas, in Turkey.

Power

The Power division has been more affected by the crisis than the other two main activities of the Group. These projects offer greater flexibility for adapting to changing market demands, being as they are more closely tied to growth and consumption, and due to the fact that they require less time to operational start-up. This market does not promise great expectations for growth in Spain, as a great number of combined cycle plants have been brought on line in the past, and the market has reached a high level of maturity. But the circumstances differ geographically and by energy type, leading to the focus on international markets where ample opportunities have been identified. The International Energy Agency estimates in its latest World Energy Outlook annual report of 2012 that a total investment of 16.867 trillion dollars in the energy sector will be made over the next 23 years.

The revenues for this division amounted to 132 million euros, a 35% decrease over the 2011 figures, due to the completion of various projects from the prior year and the lack of new orders in the current year. The sales of this division were also negatively affected by slow revenue recognition for the Dufi project for MOL-CEZ European Power Hungary Ltd. (MCEPH), in Hungary, which was awarded at the end of 2011, but whose construction has been delayed by the client. The company will continue working on the services relating to project engineering, while awaiting the decision of the customer to move forward with the construction.

The activities of the Energy division represent 5% of total group revenues. The Manifa project for Saudi Aramco in Saudi Arabia contributed the bulk of division revenue. In 2012 the company also satisfactorily completed work on the Moerdijk project for Essent in The Netherlands.

TecnicasReunidas also has a significant experience in the nuclear energy sector. In spite of the disaster at the Fukushima plant in Japan, this type of energy is facing rising demand, and owing to the insistence on greater safety, will require higher levels of investment. The International Energy Agency estimates in its latest World Energy Outlook annual report of 2012 that the production of nuclear energy will rise from 2,756 TWh in 2010 to 4,370 TWh in 2035, which is associated with an estimated investment of more than 1.0 trillion dollars in new nuclear plants during the next 25 years.

Throughout 2012, TecnicasReunidas, through its affiliate EmpresariosAgrupados, continued providing engineering support services for managing the nuclear power stations operating in Spain. During the year TR has participated in the following nuclear projects:

- Design and supply of the heat exchangers for the emergency refrigeration systems for the Taishan Nuclear Power Plant, units 1 and 2 (Areva EPR reactors, 1,600 MW each), for the China Guangdong Nuclear Power Corporation.

- Execution of the FEED for the installation of classifying, treatment and storage systems for normally occurring radioactive materials (NORM) for Takreer, in Abu Dhabi. The NORMs consist of radioactive sludge resulting from the drilling of oil wells and as a by-product of crude processing installations.

- Engineering and performance of the work derived from the stress tests effected on Spanish nuclear stations following the Fukushima accident, oriented for the most part toward analyzing the ability of the emergency cooling systems to withstand earthquakes of a magnitude greater than the original design specifications.

- Site engineering while acting as Architect Engineer for ITER at a large installation and

Fusion Project located in Cadarache, France, contracted through the ENGAGE consortium comprised of Atkins, Assystem, IOSIS, and EmpresariosAgrupados.

- Site engineering for the nuclear station at Fennovoima in Finland, a location approved in Pyhaejoki for a 1600-1800 MW installation, currently in the phase of acquiring permits.

- Support for GE Hitachi in Lungmen Nuclear Power Plant (NPP) in Taiwan, participating in the project engineering for the nuclear station, which consists of two Advanced Boiling Water Reactor (ABWR) type facilities, 1,360 MW each, also in association with General Electric Nuclear Energy.

- Support for GE Hitachi in securing licensing for the ESBWR and ABWR advanced third-generation reactors in the U.S.

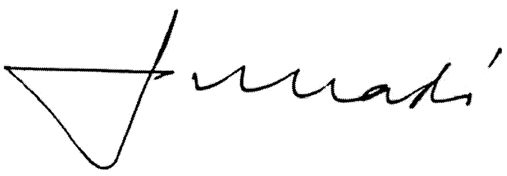
- Support for the EBRD for the Bohunice 1 (VVER V-230) NPP demolition project in Slovakia (in consortium with Iberdrola Engineering and Construction.)

- Pipeline and support analysis, including fracture analysis and anti-whiplash protection for the Mochovice NPP in the Czech Republic.

Infrastructure

The Infrastructure division of the company has been geared toward international markets for the last several years. Since the beginning of the financial crisis in Spain and its worsening in 2012, no major investment plans have been forthcoming from governmental organizations. However, one niche with good prospects has been identified: the water treatment market, in which TecnicasReunidas has a great deal of expertise. Geographic regions such as Australia and the Middle East are targets for developing business in this type of project.

In fiscal year 2012, the revenue from the division of Infrastructure and Industry amounted to 222 million euros, representing 8% of net billings. The bulk of the revenue was generated by the second phase of the Southern Seawater desalinization plant for the Water Corporation of Australia. The rest of the projects were of more modest size, and included activities such as airport and factory installations, and desalinization and water treatment plants for public institutions, all progressing satisfactorily.



José Lladó
Chairman

Juan Lladó
Vice Chairman

pwc

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.

AUDIT 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 2012, 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 2012 present fairly, in all material respects, the consolidated financial position of Técnicas Reunidas, S.A. and its subsidiaries at 31 December 2012 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 2012 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 2012. 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
Audit Partner

28 February 2013

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 913 083 566, www.pwc.com/es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT DECEMBER 31, 2012

CONSOLIDATED BALANCE SHEET
(Figures in Thousand of Euros)

	Note	At 31 December	
		2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment	6	33,778	32,266
Goodwill	7	1,242	1,242
Other intangible assets	7	70,027	49,370
Investments in associates	8	8,021	7,163
Deferred income tax assets	29	28,433	24,431
Available-for-sale financial assets	9	349	349
Derivative financial instruments	10	14,349	1,410
Receivables and other assets	13	6,014	4,882
		162,214	**121,113**
Current assets			
Inventories	12	25,720	20,758
Trade and other receivables	11	1,731,160	1,753,941
Receivables and other assets	13	22,215	28,535
Derivative financial instruments	10	24,649	7,579
Financial assets at fair value through profit or loss	14	63,407	67,994
Cash and cash equivalents	15	616,833	707,479
		2,483,984	**2,586,286**
Total assets		**2,646,197**	**2,707,399**

Notes 1 to 38 and Exhibits I to IV are an integral part of these consolidated annual accounts

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT DECEMBER 31, 2012

CONSOLIDATED BALANCE SHEET
(Figures in Thousand of Euros)

		At 31 December	
	Note	2012	2011
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)	(73,371)
Other reserves	17	1,137	1,137
Hedging reserve	10	14,044	(31,115)
Cumulative translation differences	18	(6,633)	(498)
Retained earnings	19	518,517	466,061
Interim dividend	19	(35,846)	(35,846)
Equity attributable to owners of the parent		**432,129**	**340,649**
Non-controlling interests	19	**11,562**	**8,718**
Total equity		**443,691**	**349,367**
LIABILITIES			
Non-current liabilities			
Borrowings	21	30,688	29,952
Derivative financial instruments	10	1,727	23,196
Deferred income tax liabilities	29	4,023	5,255
Other payables	20	658	1,117
Other liabilities		541	435
Employee benefit obligations	22	7,060	6,300
Provisions for liabilities and charges	23	26,056	18,230
		70,753	**84,485**
Current liabilities			
Trade and other payables	20	2,039,766	2,143,955
Current tax liabilities	29	26,925	38,510
Borrowings	21	3,115	5,336
Derivative financial instruments	10	18,435	32,194
Other payables	20	41,449	52,054
Provisions for liabilities and charges	23	2,063	1,498
		2,131,754	**2,273,547**
Total liabilities		**2,202,506**	**2,358,032**
Total equity and liabilities		**2,646,197**	**2,707,399**

Notes 1 to 38 and Exhibits I to IV are an integral part of these consolidated annual accounts

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT DECEMBER 31, 2012

CONSOLIDATED INCOME STATEMENT
(Figures in Thousand of Euros)

		Year ended 31 December	
	Note	**2012**	**2011**
Revenue	**24**	2,652,358	2,612,644
Change in inventories		5,171	3,221
Own work capitalised		1,730	3,023
Raw materials and consumables		(1,775,059)	(1,787,881)
Employee benefit expense	**26**	(381,531)	(351,669)
Depreciation/amortisation and impairment charges	**6 & 7**	(8,324)	(8,248)
Lease and royalty expenses	**27**	(40,998)	(42,566)
Other expenses	**25**	(308,850)	(281,073)
Other income	**25**	4,185	3,832
Operating profit		**148,681**	**151,283**
Finance income	**28**	13,196	10,961
Finance costs	**28**	(4,890)	(4,263)
Share in profit (loss) of associates	**8**	810	(2,786)
Profit before tax		**157,797**	**155,195**
Income tax expense	**29**	(21,488)	(19,875)
Profit for the year		**136,310**	**135,320**
Attributable to:			
Owners of the parent	19	133,423	129,545
Non-controlling interests	**19**	2,887	5,775
		136,310	**135,320**
Earnings per share (expressed in euro per share)			
- Basic and diluted	**30**	2.48	2.41

Notes 1 to 38 and Exhibits I to IV are an integral part of these consolidated annual accounts

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT DECEMBER 31, 2012

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
(Figures in Thousand of Euros)

	Note	Year ended 31 December	
		2012	2011
Profit for the year		**136,310**	**135,320**
Other comprehensive income:			
Cash flow hedges	10	45,159	(36,894)
Foreign currency translation differences	18	(5,897)	(342)
Actuarial gains on post-employment benefit obligations		(49)	(70)
Other comprehensive income for the year, net of tax		**39,213**	**(37,306)**
Total comprehensive income for the year		**175,523**	**98,014**
Attributable to:			
Owners of the parent		**172,398**	**92,210**
Non-controlling interests		3,125	5,804
Total comprehensive income for the year		**175,523**	**98,014**

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 38 and Exhibits I to IV are an integral part of these consolidated annual accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Figures in Thousand of Euros)

	Attributable to the owners of the parent									
	Share capital (Note 16)	**Share premium** (Note 16)	**Treasury shares** (Note 16)	**Other reserves** (Note 17)	**Hedging reserve** (Note 10)	**Cumulative translation differences** (Note 18)	**Retained earnings**	**Interim dividend** (Note 19)	**Non-controlling interests** (Note 19)	**Total equity**
Balance at 1 January 2012	**5,590**	**8,691**	**(73,371)**	**1,137**	**(31,115)**	**(498)**	**466,061**	**(35,846)**	**8,718**	**349,367**
Comprehensive income										
Profit (loss) for the year, 2012	-	-	-	-	-	-	133,423	-	2,887	**136,310**
Other comprehensive income										
Cash flow hedges, net of tax	-	-	-	-	45,159	-	-	-	-	**45,159**
Currency translation differences	-	-	-	-	-	(6,135)	-	-	238	**(5,897)**
Actuarial gains on post-employment benefit obligations	-	-	-	-	-	-	(49)	-		**(49)**
Total other comprehensive income	-	-	-	-	45,159	(6,135)	(49)	-	238	**39,213**
Total comprehensive income	**5,590**	**8,691**	**(73,371)**	**1,137**	**14,044**	**(6,633)**	**599,435**	**(35,846)**	**11,843**	**524,890**
Transactions with owners										
Transactions in treasury shares, net	-	-	-	-	-	-	-	-	-	**-**
Distribution against 2011 profit	-	-	-	-	-	-	(72,820)	35,846	(281)	**(37,255)**
Interim dividend against 2012 profit	-	-	-	-	-	-	-	(35,846)	-	**(35,846)**
Other movements	-	-	-	-	-	-	(8,098)	-	-	**(8,098)**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(80,918)**	**-**	**(281)**	**(81,199)**
Balance at 31 December 2012	**5,590**	**8,691**	**(73,371)**	**1,137**	**14,044**	**(6,633)**	**518,517**	**(35,846)**	**11,562**	**443,691**

Notes 1 to 38 and Exhibits I to IV are an integral part of these consolidated annual accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 December 2011

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Figures in Thousand of Euros)

	Attributable to the owners of the parent									
	Share capital (Note 16)	Share premium (Note 16)	Treasury shares (Note 16)	Other reserves (Note 17)	Hedging reserve (Note 10)	Cumulative translation differences (Note 18)	Retained earnings	Interim dividend (Note 19)	Non-controlling interests (Note 19)	Total equity
Balance at 1 January 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 38 and Exhibits I to IV are an integral part of these consolidated annual accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED CASH FLOW STATEMENT
(Figures in Thousand of Euros)

		Year ended 31 December	
	Note	2012	2011
Cash flows from operating activities			
Profit for the year		136,310	135,320
Adjustments:			
- Taxes	29	21,488	19,875
- Depreciation/amortisation of PPE and intangible assets	6 & 7	8,324	8,248
- Change in provisions, net		8,391	(5,355)
- Share in (profit)/loss of associates	8	(810)	2,786
- Change in fair value of financial instruments	28	(1,338)	1,331
- Interest income	28	(11,904)	(9,178)
- Interest expense	28	4,890	4,264
- Change in gains/losses on derivatives	10	(24,078)	16,804
- Exchange gains/losses	28	-	(423)
- Other income / expense		(9,133)	-
Changes in working capital			
- Inventories		(4,962)	(3,114)
- Trade and other receivables		22,781	261,368
- Other financial assets		10,440	(337)
- Trade payables		(117,869)	(96,594)
- Other accounts payable		(10,198)	9,072
- Other changes		(913)	(5,203)
Other operating cash flows:			
- Interest paid		(4,890)	(4,034)
- Interest received		12,577	9,227
- Tax paid		(38,306)	(27,480)
Net cash from/(used in) operating activities		**800**	**316,577**
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(10,907)	(8,646)
Purchases of intangible assets	7	(5,127)	(3,338)
Acquisition of associates	8	(48)	-
Acquisition of other non-current assets		-	-
Disposal of non-current assets		2,771	-
Net cash used in investing activities		**(13,311)**	**(11,984)**
Cash flows from financing activities			
Proceeds from borrowings		-	3,980
Repayment of borrowings		(5,034)	(29,999)
Dividends paid	19	(73,101)	(72,782)
Acquisition of treasury shares	16	-	(17,114)
Net cash used in financing activities		**(78,135)**	**(115,915)**
Net increase/(decrease) in cash and cash equivalents		**(90,646)**	**188,678**
Cash and cash equivalents at beginning of year		**707,479**	**518,801**
Cash and cash equivalents at end of the year		**616,833**	**707,479**

Notes 1 to 38 and Exhibits I to IV are an integral part of these consolidated annual accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Figures in Thousand of Euros)

1. General 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 Arapiles Street, 14, 2015 Madrid (Spain). It is headquartered in Madrid, at Arapiles Street, 13.

The Group's corporate purpose is described in the article 4 of the Bylaws and 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 Ibex 35 index.

The Group's consolidated annual accounts for 2011 were approved at the Annual General Meeting held on 26 June 2012.

These consolidated annual accounts were authorised for issue by the Board of Directors on 28 February 2013. 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 2012 consolidated financial statements in accordance with the International Financial Reporting Standards (hereinafter EU-IFRS) adopted by the European Union and approved by European Commission Regulations, and which are in force at 31 December 2012, 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 through profit or loss under EU-IFRS.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012:

- IFRS 7 (Amendment), 'Financial instruments: Disclosures - Transfers of financial assets'

The application of the above-listed amendment did not have a material impact on the consolidated financial statements.

2.1.b. Standards, amendments and interpretations that have not yet entered into force:

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 adoption is mandatory for the first time in 2013, although the Group has not adopted early:

- IAS 1 (Amendment), 'Presentation of financial statements.'
- IAS 19 (Amendment), 'Employee benefits.'
- IFRS 1 (Amendment), 'Severe hyperinflation and removal of fixed dates for first-time adopters.'
- IAS 12 (Amendment), 'Deferred tax: Recovery of underlying assets.'
- IFRS 13, 'Fair value measurement.'
- IFRIC 20, 'Stripping costs in the production phase of a surface mine.'
- IAS 32 (Amendment) and IFRS 7 (Amendment), 'Offsetting financial assets and financial liabilities.'

Moreover, the EU has adopted the following standards for financial years beginning on January 1, 2014, that have not been early adopted:

- IFRS 10, 'Consolidated financial statements.'
- IFRS 11, 'Joint arrangements.'
- IFRS 12, 'Disclosures of interests in other entities.'
- IAS 27 (Amendment), 'Separate financial statements.'
- IAS 28 (Amendment), 'Investments in associates and joint ventures.'

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012:

- Establishment of TR Canada Inc., 85%-owned by Initec Plantas Industriales S.A.U. and 15%-owned by Técnicas Reunidas S.A.

- Establishment of TR Saudi Arabia LLC, 50%-owned by Técnicas Reunidas S.A. and 50%-owned by Técnicas Reunidas Proyectos Internacionales, S.A.

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.

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.

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 recognised 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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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.

There were no business combinations in 2012 and 2011

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.

There were no disposals of subsidiaries were in 2012 and 2011.

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.

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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, and the cash flows in the cash flow statement.

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.

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 Euro, which is both its functional and presentation currency.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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 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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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:

Clasification / Elements			**Useful Live**	
Industrial structures and premises	25	-	50	Years
Plant and machinery	5	-	10	Years
Complex and general installations	12	-	17	Years
Furniture and office equipment			10	Years
Data-processing equipment			4	Years
Vehicles			7	Years
Other fixed assets	7	-	10	Years

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

When the book value 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).

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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;

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 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 possible reversal of impairment losses on non-financial assets other than goodwill that suffer an impairment loss is reviewed on all dates for which financial information is presented.

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 2012 or 2011.

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.

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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.

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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. The balances with due date greater than one year are measured at their nominal value, provided that the effect of not discounting the flows is not significant.

Trade receivables reserve is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

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.

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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 payables 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 substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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 consolidate 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).

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

Service concession arrangements

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

Dividend income

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

Interest income

Interest income is recognised using the effective interest 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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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

Derivatives not qualifying for hedge accounting

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

2.22. Leases

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

Leases arrangements where the lessor retains substantially all the risks and benefits inherent to ownership of the asset are classified as operating leases. In operating leases where the Group acts as lessee, the payments made (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

2.23. Dividend distribution

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

2.24. Environmental disclosures

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

3. Financial risk management

3.1. Financial risk factors

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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.

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 2012, leaving all other variables constant, consolidated profit before tax for the year would have been €2,050k higher / lower (2011: €8,438k), mainly due to hypothetical gains / losses generated on the revaluation / devaluation of open positions in US dollars.

Meanwhile, if the euro had depreciated / appreciated against the US dollar by a hypothetical 10% in 2012, equity would have been € 88,447k higher / lower (2011: € 71,400k 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:

	2012	2011
Egyptian Pounds	11,331	11,331
Oman Riyals	615	615
Saudi Riyals	18,183	16,967
Mexican Pesos	20,969	20,969
Other	1,554	1,411

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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:

	2012			2011		
	Referenced to Euribor	Other benchmarks	Total	Referenced to Euribor	Other benchmarks	Total
Borrowings	(33,803)	-	(33,803)	(31,154)	(4,134)	(35,288)
Interest-earning cash and cash equivalents	301,690	315,143	616,833	367,267	340,212	707,479
Net cash position	**267,887**	**315,143**	**583,030**	**336,113**	**336,078**	**672,191**

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 2012 profit of € 1,542k / € 1,803k (2011: € 1,769k / € 2,069k).

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.

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

Our key customers represented 72% of total “Trade receivables” (within Trade and other receivables) at 31 December 2012 (2011: 68%) 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 2012 was € 58,300k (2011: € 86,533k), 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:

	2012	2011
Borrowings (Note 21)	(33,803)	(35,288)
Cash and cash equivalents (Note 15)	616,833	707,479
Net cash balance	583,030	672,191
Undrawn credit lines	72,692	103,605
Total liquidity reserves	**655,722**	**775,796**

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 2012				
Borrowings	3,115	3,115	9,345	18,228
Derivative financial instruments	18,435	1,727	-	-
Trade and other payables	2,081,215	1,198	-	-
Total	**2,102,765**	**6,040**	**9,345**	**18,228**
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	-	-
Total	**2,233,539**	**29,674**	**6,138**	**18,453**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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.

	2012	2011
Borrowings (Note 21)	(33,803)	(35,288)
Net cash position	583,030	672,191
Equity	443,691	349,367
% Borrowings / Equity	7.62%	10.10%
% Net cash position / Equity	131.40%	192.40%

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 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss	63,407	-	-	63,407
Hedging derivatives	-	38,998	-	38,998
Total assets	**63,407**	**38,998**	**-**	**102,405**
Liabilities				
Hedging derivatives	-	20,162	-	20,162
Total liabilities	**-**	**20,162**	**-**	**20,162**

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**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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

The fair value of financial instruments that are not quoted in an active market (e.g. OTC derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of available observable data inputs and rely as little as possible on entity-specific estimates. If all the significant inputs required to calculate an instrument's fair value are observable, the instrument is included in level 2.

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

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

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

There were no switches between levels in either 2012 or 2011.

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. Estimated results, by definition, seldom equal the related actual results. The main estimates are the followings:

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 € 2,149k / € 1,953k (2011: € 1,988k / € 1,807k).

As disclosed in Note 29, the Group's effective tax rate was 14% in 2012 (13% in 2011).

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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. Historically, there were no material adjustments recorded related to useful lives of assets.

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. According to these estimates and advice of independent actuaries, the Group assesses the provision needed at each closing. 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, including sensitivity analysis.

Accounts receivable

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.

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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.

Concession impairment

The estimated recoverable value of the concessions which the Group operates, have been determined based on discounted cash flows based on budgets and forecasts provided such concession assets and using appropriate discount rates to those businesses.

In applying the accounting policies have not been implemented different judgments estimates detailed above.

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.

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

	Oil and gas		Power		Infrastructure & other		Unallocated		Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Segment reporting										
Revenue	2,298,317	2,285,322	132,071	203,251	221,970	124,070	-	-	**2,652,358**	**2,612,644**
Operating profit	198,264	187,399	11,745	24,761	1,911	888	(63,238)	(61,766)	**148,681**	**151,283**
Net finance income (Note 28)							9,117	6,698	**9,117**	**6,698**
Share in profit (loss) of associates	-	-	873	701	(63)	(679)	-	-	**810**	**21**
Profit before tax	-	-	-	-	-	-	157,797	155,195	**157,797**	**155,195**
Income tax expense	-	-	-	-	-	-	21,488	19,875	**21,488**	**19,875**
Profit for the year	-	-	-	-	-	-	136,310	135,320	**136,310**	**135,320**
Assets and liabilities by operating segment										
Assets	2,023,330	2,089,963	134,585	147,007	210,427	211,637	270,089	251,629	**2,638,431**	**2,700,236**
Associates	428	434	5,697	4,711	1,641	2,018	-	-	**7,766**	**7,163**
Total assets	2,023,758	2,090,398	140,282	151,718	212,068	213,392	270,089	251,891	**2,646,197**	**2,707,399**
Liabilities	1,907,553	1,950,221	60,019	130,397	101,216	116,082	133,718	161,332	**2,202,507**	**2,358,032**
Additions to non-current assets (Notes 6 and 7)	2,737	5,488	-	-	21,463	3,052	9,064	3,442	**33,264**	**11,982**
Other operating segment disclosures										
Depreciation of PPE (Note 6)	-	-	-	-	-	-	6,624	7,639	**6,624**	**7,639**
Amortisation of intangible assets (Note 7)	-	-	-	-	-	-	1,700	609	**1,700**	**609**
Impairment of trade receivables (Note 11)	-	-	-	-	-	-	52	313	**52**	**313**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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	2012	2011
Spain	117,088	288,482
Middle East	849,581	1,006,607
Americas	355,378	245,220
Asia	452,641	249,813
Europe	111,386	398,110
Mediterranean	766,284	424,412
	2,652,358	**2,612,644**

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 62% of the 2012 total (2011: 68%). Revenue generation by customers who individually accounted for over 10% of total consolidated revenue in 2012 amounted to € 2,291 million (2011: € 1,791 million).

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	
	2012	2011	2012	2011
Spain	514,496	483,705	29,643	8,961
Middle East	819,160	1,036,614	1,805	3,905
Americas	209,324	268,807	505	151
Asia	281,666	213,321	-	289
Europe	224,482	274,669	6	71
Mediterranean	514,261	320,705	431	2
Total	**2,563,389**	**2,597,821**	**32,391**	**13,379**
Associates	7,766	6,899	-	-
Unallocated	75,042	102,679	873	500
	2,646,197	**2,707,399**	**33,264**	**13,879**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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

	2012	2011
Reportable segment assets	2,376,108	2,455,507
Unallocated:		
Non-current assets	43,484	46,796
Current assets	226,605	205,095
Total assets per the balance sheet	**2,646,197**	**2,707,398**

	2012	2011
Reportable segment liabilities	2,153,866	2,196,700
Unallocated:		
Non-current liabilities		422
Impairment provisions	32,117	23,772
Current liabilities	16,524	137,451
Total liabilities per the balance sheet	**2,202,507**	**2,358,345**

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 2011	**2,310**	**24,750**	**31,791**	**2,571**	**5,183**	**66,605**
Additions	124	1,810	6,021		688	8,643
Decreases	-	-	-	224	-	224
Other movements	-	-	-	-	-	-
Balance at 31 December 2011	**2,434**	**26,560**	**37,812**	**2,795**	**5,871**	**75,472**
Additions	23	4,871	4,925		1,088	10,907
Decreases	-	(48)	(2,136)	(214)	(1,009)	(3,407)
Other movements	-	-	-	-	-	-
Balance at 31 December 2012	**2,457**	**31,383**	**40,601**	**2,581**	**5,950**	**82,972**

Accumulated depreciation	Land and buildings	Plant and machinery	Furniture and equipment	PPE under construction	Other PPE	Total
Balance at 1 January 2011	**534**	**10,535**	**22,202**	**-**	**2,297**	**35,568**
Additions	77	4,794	2,308		460	7,639
Decreases	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Balance at 31 December 2011	**611**	**15,329**	**24,510**		**2,756**	**43,206**
Additions	106	2,304	3,349	-	865	6,624
Decreases	-	(85)	(25)	-	(526)	(636)
Other movements	-	-	-	-		-
Balance at 31 December 2012	**717**	**17,548**	**27,834**	**-**	**3,095**	**49,194**

Net carrying amount at 1 January 2011	**1,776**	**14,215**	**9,589**	**2,571**	**2,886**	**31,037**
Net carrying amount at 31 December 2011	**1,823**	**11,231**	**13,302**	**2,795**	**3,115**	**32,266**
Net carrying amount at 31 December 2012	**1,740**	**13,835**	**12,767**	**2,581**	**2,855**	**33,778**

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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:

	2012	2011
Capitalized finance lease cost	6,805	6,555
Accumulated depreciation	(5,571)	(4,386)
Net carrying amount	**1,234**	**2,169**

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 2012, the Group carried items of property, plant and equipment located outside Spain with an original cost of € 8,807k (2011: € 10,343k) and accumulated depreciation of € 6,634k (2011: € 5,960k).

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 2011	**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**
Additions	1,991	400	2,736	5,127		5,127
Decreases	-	-	-	-	-	-
Other movements	-	17,230	-	17,230	-	17,230
Transfers	7,966	(7,966)	-	-	-	-
Balance at 31 December 2012	**44,327**	**24,545**	**13,606**	**82,478**	**1,242**	**83,720**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

Accumulated amortisation and impairment losses	Conces sions	Intangible assets under construction	Software and other intangible assets	Subtotal	Goodwill	Total
Balance at 1 January 2011	**299**	**2,200**	**7,643**	**10,142**	**-**	**10,142**
Additions	-	-	609	609	-	609
Decreases	-	-	-	-	-	-
Impairment charge	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Balance at 31 December 2012	**299**	**2,200**	**8,252**	**10,751**	**-**	**10,751**
Additions	185		1,515	1,700		1,700
Decreases	-	-	-	-	-	-
Impairment charge	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Balance at 31 December 2012	**484**	**2,200**	**9,767**	**12,451**	**-**	**12,451**
Net carrying amount at 1 January 2011	**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**
Net carrying amount at 31 December 2012	**43,843**	**22,345**	**3,839**	**70,027**	**1,242**	**71,269**

The amount included in "other movements" amounting to € 17,230k includes increased participation in joint ventures in which the Group operates and exploiting or exploited concessions broken down.

The transfer between "intangible assets under construction" and "concessions" totalling € 7,996k relates to the completion of construction of Huercal-Overa Sports Complex.

In 2012 the research and development expense charged to the income statement totalled € 6,561k (2011: € 6,701k).

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 2012, the Company capitalised borrowing costs in connection with financing obtained specifically for the construction of concession assets. Capitalised borrowing costs totalled € 1,054k (2011: € 1,124k).

Goodwill impairment testing

As set out in Note 2.8, Técnicas Reunidas implemented a procedure in which at year-end is the possible impairment of goodwill is assessed. Goodwill is impaired when the carrying value of the CGU to which the asset belongs is less than its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use is taken to be the present value of estimated future cash flows.

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 2012 and 31 December 2011 and no impairment losses were recognised.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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 Huercal - Overa (Almeria) (*)	30 Years	User charges	Subject to successive term extensions
Sports complex at Huercal - Overa (Almeria) (*)	50 Years	User charges	At end of concession term
Pulpí underground car park (*)	40 Years	User charges	At end of concession term
Alcobendas underground car park (*)	75 Years	User charges	At end of concession term

(*) Concessions built.
(**) Concessions under construction

Concession assets under construction have been financed with borrowings amounting to € 33,441k (€ 29,683k at year-end 2011) (See Note 21).

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.

Part of the concessions built not yet in use.

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.

Revenues from concessions operations amounted to € 926k in 2012 (2011: € 623k).

8. Investments in associates

Detail and changes in investments in associates are as follows:

	2012	2011
Opening balance	**7,163**	**7,462**
Additions	108	-
Derecognitions	(60)	(320)
Share of profit/loss	810	21
Closing balance	**8,021**	**7,163**

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:

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

Name	Country of incorporation	Assets	Liabilities	% Ownership interest
2012				
Empresarios Agrupados, A.I.E.	Spain	8,797	8,047	42.48%
Empresarios Agrupados Internacional, S.A.	Spain	30,853	18,354	42.48%
Layar Castilla, S.A.	Spain	1,687	3	25.39%
Ibérica del Espacio, S.A.	Spain	14,155	12,615	47.45%
Máster S.A. de Ingeniería y Arquitectura	Spain	10,858	10,283	39.98%
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%

Name	Country of incorporation	Revenue	Profit/(loss)	% ownership interest
2012				
Empresarios Agrupados, A.I.E.	Spain	21,803	-	42.48%
Empresarios Agrupados Internacional, S.A.	Spain	37,891	1,757	42.48%
Layar Castilla, S.A.	Spain	11	(17)	25.39%
Ibérica del Espacio, S.A.	Spain	7,255	(94)	47.45%
Máster S.A. de Ingeniería y Arquitectura	Spain	12,960	6	39.98%
2011				
Empresarios Agrupados, A.I.E.	Spain	21,314	-	42.48%
Empresarios Agrupados Internacional, S.A.	Spain	38,561	1,629	42.48%
Layar Castilla, S.A.	Spain	(38)	32	25.39%
Ibérica del Espacio, S.A.	Spain	7,482	(1,345)	47.45%
Máster S.A. de Ingeniería y Arquitectura	Spain	6,821	(120)	39.98%

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

9. Available-for-sale financial assets

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.

No impairment provisions were recognised on available-for-sale financial assets in 2012 and 2011. There have been no movements.

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 2012 and 31 December 2011 by nature and category for measurement purposes:

	31 December 2012			
Financial assets:	**Financial assets at fair value through profit or loss (Note 14)**	**Available-for-sale (Note 9)**	**Loans and receivables (Note 13)**	**Hedging derivatives (Note 10)**
Nature/category				
Equity instruments	-	349	-	-
Derivatives (Note 10.1.b)	-	-	-	14,349
Other financial assets	-	-	6,014	-
Non-current	**-**	**349**	**6,014**	**14,349**
Equity instruments	-	-	-	-
Derivatives (Note 10.1.b)	-	-	-	24,649
Other financial assets	63,407	-	22,215	-
Current	**63,407**	**-**	**22,215**	**24,649**
Total financial assets at 31/12/2012	**63,407**	**349**	**28,229**	**38,998**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

Financial liabilities	31 December 2012 Financial liabilities at amortised cost	Hedging derivatives
Nature/category		
Borrowings (Note 21)	30,688	-
Derivatives (Note 10.1.b)	-	1,727
Other financial liabilities	1,199	-
Non-current	**31,887**	**1,727**
Borrowings (Note 21)	3,115	-
Derivatives (Note 10.1.b)	-	18,435
Other financial liabilities (Note 20)	41,449	-
Current	**44,564**	**18,435**
Total financial liabilities at 31/12/2012	**76,450**	**20,162**

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 13)	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**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

10.1. b. Derivative financial instruments

The derivative balances at year-end 2012 and 2011 are as follows:

	2012		2011	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange forwards – cash flow hedges	38,388	20,162	8,989	55,390
Forward contracts on commodities	610	-	-	-
Total	**38,998**	**20,162**	**8,989**	**55,390**
Non-current portion	14,349	1,727	1,410	23,196
Current portion	24,649	18,435	7,579	32,194

Set out below is a maturity schedule in notional terms for the contracts outstanding at 31 December 2012 and 2011:

Instrument type	Fair Value (Thousand Euro) Balance at 2012	Notional Currency	Notional Maturities (Thousands) 2013	2014	2015	Notional Total
Assets	**38,998**					
Forward contracts on commodities						
Forward contracts on copper (Notional: 1.500 TM)	610					
Foreign Exchange forwards						
RUB / EUR	4,579	RUB	1,948,427	-	-	1,948,427
USD / AUD	15,457	USD	113,993	147,991	38,820	300,803
USD / CAD	710	USD	35,703	-	-	35,703
USD / CHF	799	USD	10,760	6,823	-	17,583
USD / EUR	16,308	USD	534,816	101,700	-	636,516
USD / GBP	216	USD	4,541	-	-	4,541
USD / RUB	140	USD	11,930	-	-	11,930
USD / TRY	179	USD	10,000	-	-	10,000
Liabilities	**20,162**					
Foreign Exchange forwards						
RUB / EUR	245	RUB	1,034,655	-	-	1,034,655
USD / EUR	19,621	USD	665,334	60,800	-	726,134
USD / JPY	296	USD	5,721	-	-	5,721
Net balance	**18,836**					

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

Instrument type	Fair Value (Thousand Euro) Balance at 2011	Notional Currency	Notional Maturities (Thousands) 2012	2013	2014	Notional Total
Assets	**8,989**					
USD / EUR	478	USD	90,000	-	-	90,000
USD / RUB	2,371	USD	35,384	-	-	35,384
USD / JPY	1,441	USD	58,143	-	-	58,143
EUR / USD	2,362	EUR	68,500	1,100	-	69,600
EUR / JPY	565	EUR	500,000	-	-	500,000
EUR / RUB	1,633	EUR	300,000	1,500,000	-	1,800,000
RUB / EUR	139	RUB	3,481	-	-	3,481
Liabilities	**55,390**					
USD / EUR	52,492	USD	846,736	559,800	60,800	1,467,336
USD / RUB	1,844	USD	63,891	-	-	63,891
AUD / EUR	95	AUD	2,300	-	-	2,300
USD / JPY	8	USD	1,941	-	-	1,941
EUR / USD	1	EUR	511	-	-	511
RUB / USD	950	RUB	19,666	-	-	19,666
Net balance	**(46,401)**					

Set out below is a maturity schedule in fair value terms for the contracts in force at 31 December 2012 and 2011:

	2012	2013	2014	2015	Total Fair Value
Total Assets 2012	-	24,649	12,183	2,166	**38,998**
Total Liabilities 2012	-	18,435	1,727	-	**20,162**
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 2012 amounted to a loss of € 14,044k (2011: € 31,115k). These gains and losses are recognised in the income statement in the year or years in which the hedged transactions affect profit or loss. In 2012 a net loss of € 12,748k.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

No material portion of the foreign currency hedges was deemed ineffective in either 2012 or 2011. 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 2012 and 2011:

	2012	2011
Trade receivables	1,605,852	1,594,577
Less: provision for impairment of receivables	(10,466)	(10,414)
Trade receivables-net	1,595,386	1,584,163
Other accounts receivable	19,956	23,289
Prepayments	59,152	74,630
Other items	56,666	71,859
Total	**1,731,160**	**1,753,941**

Trade receivables includes € 1,279,070k (2011: € 1,008,706k) 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 2012, trade receivables of € 258,016k (2011: €196,323k) were fully performing.

At 31 December 2012, trade receivables of € 58,300 (2011: € 86,533k) 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:

	2012	2011
Up to 3 months	17,634	26,020
3 to 6 months	5,225	10,782
Over 6 months	35,441	49,731
	58,300	**86,533**

During 2012, trade receivables of € 52k (2011: € 313k) were impaired and provided for by the Group. Movements on the provision for impairment of trade receivables are as follows:

	2012	2011
Opening balance	**10,414**	**10,101**
Amounts impaired	52	313
Amounts used	-	-
Closing balance	**10,466**	**10,414**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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

	2012	2011
Euro	116,662	100,846
US dollars	196,815	412,753
Other currencies	13,305	72,272
Subtotal	326,782	585,871
Completed work pending billing	1,279,070	1,008,706
Total	**1,605,852**	**1,594,577**

The accumulated balance of revenue and incurred expenses recognised in connection with all contracts in progress at the balance sheet date amounted to € 9,556,932k (2011: € 10,639,461k) and € 946,229 (2011: € 852,826k), respectively.

Prepayments received on projects in progress are broken down in Note 20. Withholdings on customer invoices amounted to € 68,871 (2011: € 33,169k).

12. Inventories

The breakdown of inventory balances is as follows:

	2012	2011
Construction projects in progress	5,804	2,093
Bid presentation costs	18,690	16,827
Materials	1,226	1,838
	25,720	**20,758**

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

	2012	2011
Receivables and other assets (non-current)		
Loans to employees	1,255	1,026
Deposits and guarantees	4,759	3,856
	6,014	**4,882**
Receivables and other assets (current)		
Loans to venturers in UTEs and joint ventures	12,168	25,400
Interest	1,545	2,219
Short-term guarantee deposits	8,502	916
	22,215	**28,535**

The loans to partners in UTEs and joint ventures earn interest at market Euribor +200bp (2011: Euribor + 120bp).

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

14. Financial assets at fair value through profit or loss

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

	2012	2011
Opening balance	67,994	68,011
Net additions (disposals) (fair value)	(4,587)	(17)
Closing balance	63,407	67,994

Listed securities:		
	55,960	56,715
- Investments in short-term fixed income securities	7,447	11,279
- Investments in listed equity securities	**63,407**	**67,994**

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 2012, the Group invested € 7,309k in funds and disposed of € 13,234k. Additions and disposals in 2011 were € 16,963k and € 18,090k, respectively.

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 2012, the Group recognised a gain of € 1,338k in this respect (2011: gain of € 1,331k) (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 2012 and 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

	2012	2011
Cash at bank and on hand	364,391	357,686
Short-term bank deposits and other cash equivalents	252,442	349,793
	616,833	**707,479**

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 2012, € 236,621k (2011: € 497,986k) 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 2012 and 2011 year-end.

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

16. Capital

	Share capital	Share premium	Treasury shares	Total
Balance at 1 January 2011	5,590	8,691	(56,257)	**(41,976)**
Purchase of treasury shares	-	-	(17,114)	**(17,114)**
Balance at 31 December 2011	5,590	8,691	(73,371)	**(73,371)**
Other movements	-	-	-	**-**
Balance at 31 December 2012	5,590	8,691	(73,371)	**(73,371)**

At 31 December 2012 and 2011 the total number of authorised ordinary shares was 55,896,000, each having a par value of €0.10 per share. 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 2012 and 2011 is set forth below:

	2012		2011	
	Number of treasury shares	Amount	Number of treasury shares	Amount
Opening balance	2,154,324	73,371	1,581,135	56,257
Additions / purchases	-	-	573,189	17,114
Decreases / sales	-	-	-	-
Other movements	-	-	-	-
Closing balance	**2,154,324**	**73,371**	**2,154,324**	**73,371**

At 31 December 2012 treasury shares represented 3.85% of the parent company's share capital (2011: 3.85%). Treasury shares totalled 2,154,324 shares (2011: 2,154,324 shares), acquired at an average price of €34.33 per share (€34.33 per share in 2011).

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:

	2012	2011
Shareholder	**Ownership interest, %**	**Ownership interest, %**
Aragonesas Promoción de Obras y Construcciones, S.L.	5.10%	5.10%
Araltec, S.L.	31.99%	31.99%
Causeway Capital Management, LLC	5.00%	3.00%
Bilbao Vizcaya Holding	1.54%	2.26%
BBVA Elcano Empresarial, SCR, S.A.	1.48%	2.17%
BBVA Elcano Empresarial II, SCR, S.A.	1.48%	2.17%
Other shareholders (including free float)	49.46%	49.46%
Treasury shares	3.85%	3.85%
TOTAL	**100.00%**	**100.00%**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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 41.58% of the voting rights in TÉCNICAS REUNIDAS, S.A.

17. Other reserves

The entire balance, €1,137k (2011: €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 2011	**(127)**
Translation differences:	
– Group companies and associates	(371)
31 December 2011	**(498)**
Translation differences:	
– Group companies and associates	(6,135)
31 December 2012	**(6,633)**

A breakdown of cumulative translation differences by company / subgroup at year-end 2012 and 2011 is as follows:

	2012	2011
Company or subgroup		
Técnicas Reunidas (UTEs and foreign consortiums)	(3,421)	-
Damietta LNG Construction (Egypt)	(652)	(659)
Técnicas Reunidas TEC (Bolivia)	(5,466)	(217)
Ebramex S. de R.L. de C.V. (Mexico)	(1,374)	(766)
Minatrico S. de R.L. de C.V. (Mexico)	(1,488)	(585)
Técnicas Reunidas Australia Pty Ltd (Australia)	843	1.148
Técnicas Reunidas RUP Insaat (Turkey)	333	(257)
Técnicas Reunidas Chile Limitada (Chile)	3,212	832
Técnicas Reunidas Gulf Ltd. (Saudi Arabia)	1,521	314
Técnicas Reunidas Omán LLC (Omán)	(381)	(383)
Técnicas Reunidas Engineering LLC (Omán)	(7)	-
Otros	247	75
Total	**(6,633)**	**(498)**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

19. Dividend distribution and non-controlling interests

The proposed distribution of 2012 profit to be put before the parent company's shareholders in general meeting and the ratified distribution of 2011 profit is set forth below:

Basis of appropriation	2012	2011
Profit (loss) for the year	102,284	77,166
	102,284	**77,166**

Distribution	2012	2011
Retained earnings	27,284	4,346
Dividends	75,000	72,820
	102,284	**77,166**

The breakdown of dividends is as follows:

- 2012: The € 75,000 k dividend consists of the following:
  - A € 35,846k interim dividend approved by the Board of Directors on 13 December 2012 and paid on 20 January 2013.
  - A dividend of € 39,154k approved at the AGM held to ratify the 2012 annual accounts.
- 2011: The € 72,820k dividend consists of the following:
  - A € 35,846k interim dividend approved by the Board of Directors on 15 December 2011 and paid on 20 January 2011.
  - A € 36,974k approved at the AGM on 26 June 2012 as complementary dividend related to the distribution of the 2011 profit of the year, in addition to the interim dividend approved by the Board of Directors on 15 December 2011.

The following are the provisional accounting and cash statements as of the date of payment of the interim dividends from 2012 and 2011 profits, as detailed above:

	2012	2011
Estimated profit for the year	156,600	155,500
Estimated income tax	(22,000)	(22,600)
Maximum possible payout	**134,600**	**132,900**
Proposed payout	(35,846)	(35,846)
Surplus	**98,754**	**97,054**
Cash balance prior to payout	620,000	650,000
Interim dividend	(35,846)	(35,846)
Cash surplus	**584,154**	**614,154**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

Non-controlling interests

Movements in non-controlling interests in 2012 and 2011 are analysed below:

Balance at 1.1.2011:	**7,538**
Profit for the year	5,775
Translation differences	29
Other movements	(4,624)
Balance at 31.12.2011:	**8,718**
Profit for the year	2,887
Translation differences	238
Other movements	(281)
Balance at 31.12.2012:	**11,562**

20. Trade and other payables

a) Trade payables are analysed below:

	2012	2011
Payable to suppliers	1,642,014	1,753,103
Prepayments received for contract work	369,162	344,497
Other items	28,591	46,355
	2,039,767	**2,143,955**

b) Other payables are set out below:

	2012	2011
Non-current		
Finance lease liabilities	658	1,117
	658	**1,117**
Current		
Finance lease liabilities	-	286
Dividends payable	35,846	35,846
Other items	5,603	15,922
	41,449	**52,054**

Non-current finance lease liabilities fall due as follows:

	2012	2011
Between 1 and 2 years	658	1,073
Between 2 and 5 years	-	44
Over 5 years	-	-
	658	**1,117**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

The above amounts represent minimum lease payments discounted to their present value. Future financial charges under finance leases total € 33k (2011: € 260k). 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

Non-current	2012	2011
Borrowings	30,688	29,952
	30,688	**29,952**
Current		
Borrowings	3,115	5,336
	3,115	**5,336**
Total borrowings	**33,803**	**35,288**

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

	2012		2011	
	EUR	USD	EUR	USD
Borrowings	2.53%	-	3.02%	3.50%

Borrowings totalling € 33,441k (2011: € 29,683k) fund the construction of concession assets (Note 7). These loans are secured, with the concession assets as collateral.

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

The maturity of borrowings is broken down in Note 3 – liquidity risk.

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

	2012	2011
Euro	33,803	31,166
US dollars and other currencies	-	4,122
	33,803	**35,288**

The Group has the following undrawn credit lines:

Floating rate:	2012	2011
– Maturing in less than one year	72,692	103,605
– Maturing in more than one year	-	-
	72,692	**103,605**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

22. Employee benefits

At 31 December 2012 and 2011, 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 2012 and 2011 there are no assets linked to the defined benefit commitments with employees.

	2012	2011
Balance sheet commitments:		
Pension and retirement benefits	6,433	5,704
Non-current remuneration obligations	627	596
	7,060	**6,300**
Income statement charges:		
Pension and retirement benefits (Note 26)	1,061	1,077
Non-current remuneration obligations (Note 26)	46	90
	1,107	**1,167**

Pension and retirement benefits

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

	2012	2011
Present value of obligations at 1 January	5,705	5,315
Cost of services for the current year	689	689
Interest cost	302	288
Benefits paid and expenses	(333)	(687)
Actuarial gains/(losses)	70	100
Balance sheet liability	**6,433**	**5,705**

The amounts recognised in the income statement are as follows:

	2012	2011
Cost of current services	689	689
Interest cost	302	288
Total included in employee benefit expense (Note 26)	**991**	**977**

The main actuarial assumptions used are as follows:

	2012	2011
Annual discount rate	3.20%	4.80%
Annual salary growth	2.00%	3.00%
Annual inflation	2.00%	2.00%
Mortality table	PERM/F 2000 Producción	PERM/F 2000 Producción
Retirement age	65 years	65 years

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

Non-current remuneration obligations

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

	2012	2011
Present value of obligations at 1 January	595	508
Cost of services for the current year	87	82
Interest cost	33	29
Benefits paid and expenses	(14)	(3)
Actuarial (gains)/losses	(74)	(21)
Balance sheet liability	**627**	**595**

The amounts recognised in the income statement are as follows:

	2012	2011
Cost of current services	87	82
Interest cost	33	29
Actuarial (gains)/losses	(74)	(21)
Total included in employee benefit expense (Note 26)	**46**	**90**

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

The following table shows the effect of a variation of + / - 1% in the discount rate used in the actuarial results:

	Discount +1%	Discount -1%
Pension and retirement benefits		
Cost of services for the previous years	5,713	7,321
Current Cost	619	865
Non-current remuneration obligations		
Cost of services for the previous years	552	716
Current Cost	69	97

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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 01/01/2011	**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**
Reversals / Amounts used	-	(2,760)	-	(2,760)
Amounts provisioned	4,250	-	6,336	10,586
Balance at 31/12/2012	**6,060**	**1,748**	**18,248**	**26,056**

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 2012 and 2011 relate to the following segments:

Project / Division	2012	2011
Oil and gas		2,750
Power		-
Other	1,748	1,758
Total	**1,748**	**4,508**

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

b) Provisions for liabilities and charges – current

Balance at 1 January 2011	**6,582**
Reversals / Amounts used	(5,685)
Amounts provisioned	601
Balance at 31 December 2011	**1,498**
Reversals / Amounts used	(342)
Amounts provisioned	907
Balance at 31 December 2012	**2,063**

24. Revenue

	2012	**2011**
Construction and engineering contract revenue	2,652,322	2,612,609
Services rendered	36	35
Total revenue	**2,652,358**	**2,612,644**

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

25. Other expenses and income

	2012	**2011**
Other operating expenses		
Services	215,455	219,838
Independent professional services	43,051	32,874
Repairs and maintenance	6,738	6,472
Banking and similar services	16,404	5,933
Transport expenses	176	525
Insurance premiums	5,684	3,467
Utilities	2,963	2,492
Other	18,380	9,472
	308,850	**281,073**
Other income		
Grants related to income	2,463	877
Other	1,722	2,955
	4,185	**3,832**

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

26. Employee benefit expenses

	2012	2011
Wages and salaries	331,865	304,834
Social security contributions	48,629	45,768
Pension cost – pension and retirement benefit plans (Note 22)	991	977
Non-current remuneration obligations (Note 22)	46	90
	381,531	**351,669**

In the caption “Wages and salaries” is included termination benefits amounting to € 2,159k (2011: € 2,072k).

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:

	2012	2011
Less than 1 year	17,048	12,940
Between 1 and 5 years	24,040	13,923
Over 5 years	-	136

Operating lease expense recognised in the income statement amounted to € 40,998k (2011: € 42,858k) and corresponds in its entirely to minimum lease payments.

28. Finance income and finance cost

	2012	2011
Finance income		
Interest income from short term bank deposits and other deposits	11,904	9,178
Net gains/losses on changes in the fair value of financial instruments at fair value through profit or loss and other gains / losses	1,338	1,331
Net foreign exchange gains	44	452
	13,286	**10,961**
Finance costs		
Interest expense on bank loans and other borrowings	(4,890)	(4,263)
	(4,890)	**(4,263)**
	8,396	**6,698**

Note 10 sets forth the impact on finance income and cost of foreign currency hedges.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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.

For the purpose of calculating the tax base of the tax group and the different individual companies included in the consolidation scope, the accounting result is adjusted according to the permanent and temporary differences that may exist, leading to the corresponding assets and liabilities deferred taxes. They arise as a result of homogenizing valuation criteria and accounting principles between individual companies and of the consolidated, which are applicable to the parent company.

	2012	2011
Current tax	18,719	18,799
Deferred tax	2,769	1,076
	21,488	**19,875**

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:

	2012	2011
Profit before tax	**157,797**	**155,195**
Tax calculated at the tax rate applicable to the parent company's tax income	47,339	46,559
Tax-free earnings	(30,907)	(29,179)
Expenses not deductible for tax purposes	1,096	349
Effect of differences in foreign tax rates	(239)	(2,799)
Tax losses for which no tax credit was recognized	12,296	-
Tax on unrecognised tax losses generated by foreign subsidiaries	(8,163)	7,555
Deductions applied and non-recoverable withholdings on foreign subsidiaries (net)	(1,428)	(2,610)
Other	1,494	-
Tax expense	**21,488**	**19,875**

The effective tax rate was 14% (13% in 2011), 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).

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

Deferred tax assets and liabilities

	2012	2011
Deferred income tax assets		
- to be recovered after more than 12 months	28,433	24,431
- to be recovered within 12 months		
	28,433	**24,431**
Deferred income tax liabilities		
- to be recovered after more than 12 months	4,023	5,255
- to be recovered within 12 months	-	-
	4,023	**5,255**

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

	Assets	Liabilities
1 January 2011	**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**
Charged to the income statement	(7,156)	(1,232)
Credited to the income statement	11,158	-
Charged directly to equity	-	-
31 December 2012	**28,433**	**4,023**

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

	2012	2011
Unused tax losses carried forward	-	-
Unused tax credits carried forward	-	-
Tax credits arising from temporary differences:		
- Provisions for liabilities and charges	10,100	14,742
- Pension plans	1,930	1,711
- Standardisation of project assessments and other	15,638	7,213
- Hedging reserve	572	572
- Other items	193	193
	28,433	**24,431**

	2012	2011
Hedging reserve	-	-
- Standardisation of project assessments and other	4,023	5,255
	4,023	**5,255**

There are no unused recognised tax losses at year-end 2012 and 2011

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

In addition, the Group has € 61,311k of accumulated tax losses (tax deduction of € 18,393k) at year-end 2012 (2011: € 25,183k, tax deduction of € 7,555k) 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 2012 amounted to € 0k (2011: € 342k).

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

	2012			2011		
	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
Cash flow hedges	45,159	-	45,159	(36,522)	368	(36,894)
Currency translation differences	(6,135)	-	(6,135)	(342)	-	(342)
Actuarial gains/(losses)	(70)	21	(49)	(100)	30	(70)
Other comprehensive income	**38,954**	**21**	**38,975**	**(36,967)**	**398**	**(37,306)**
Current tax	-	-	-	-	-	-
Deferred tax	-	21	-	-	398	-

At 31 December 2012 and 2011, the Group has no unused tax credits.

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.

	2012	2011
Profit attributable to owners of the parent	133,423	129,545
Weighted average number of ordinary shares in issue	53,741,676	53,741,676
Basic earnings per share (€ per share)	2.48	2.41

31. Dividend per share

In 2012 the dividends paid against 2011 profits amounted to € 72,820k (of which € 35,846k was declared in 2011 and paid as an interim dividend), which translates into a dividend per share of €1.35.

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

The dividend against 2012 profits to be submitted to the general meeting called in 2013 to ratify the accompanying consolidated annual accounts is estimated at € 75,000k (of which €35,846k was declared in 2011 as an interim dividend), which translates into a dividend per share of €1.39. 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 € 1,819,010k (2011: € 1,848,418k) 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 € 33,441k (€ 29,683k at year-end 2011) fund the construction of concession assets. These loans are secured by the concession assets (Note 7).

The Group is involved in certain legal disputes in the ordinary course of business (primarily disputes with customers, suppliers, employees or administrative or fiscal authorities). Legal advisors opinion is that the outcome will not have materially effect to the group financial position. Main one is the following:

- In relation to the dispute with Hainsco submitted to ICC arbitration in Geneva (Switzerland), is awaiting the award which will solve the lack of active or passive standing of the counterparty as well as the source of their financial claims.

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 2012 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 2012 and 2011 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 (BBVA Group):

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

Set out below are details of these transactions at 31 December 2012 and 2011:

	2012	2011
Credit facilities	5,000	10,000
Drawn balances	-	-
Guarantees furnished	250,595	309,861

The average interest rate on these borrowings was Euribor + 2.75% (2011: Euribor + 1.30%).

The Group has contracted forward currency transactions with the BBVA Group, the notional values of which totalled USD 393,815k and JPY 362,000k at year-end 2012 (2011: USD 472,030k).

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 2012 the balance in these current accounts was € 138,614k (2011: € 177,152k).

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

	2012	2011
Finance costs	1,382	1,524
Finance income	24	1,320

b) Transactions with Company directors and officers

During the years 2012 and 2011 there were no transactions with Company directors, except as described below:

- Transactions with Santander Group where one of the parent company's directors is a director at Santander Group:

	2012	2011
Finance costs	1,874	1,280
Finance income	1,149	1,418

	2012	2011
Credit facilities	19,000	30,000
Drawn balances	-	-
Guarantees furnished	358,960	369,794

The average interest rate on these borrowings was Euribor + 1.70% (2011: Euribor + 0.80%).

The Group has contracted forward currency transactions with Santander, the notional values of which totalled USD 309,046k and AUD 132,304k at year-end 2012 (2011: USD 453,526k).

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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 Santander. At year-end 2012 the balance in these current accounts was 77,549k € (2011: € 159,398k).

Note 37 provides details of the remuneration paid to the directors of Técnicas Reunidas, S.A.

Senior management pay

In 2012, remuneration paid to the Group's senior management in respect of fixed and variable compensation totalled € 5,565k (2011: € 5,320k). Advances to senior management totalled € 0k (2011: € 160k).

c) Transactions with associates

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

	2012				2011			
	Trade receivables	Payable to suppliers	Purchases	Sales	Trade receivables	Payable to suppliers	Purchases	Sales
Empresarios Agrupados, A.I.E.	1,747	167	9,057	3,092	1,299	1,827	7,588	2,871
E.A. Internacional, S.A.	4,649	710	2,403	11,108	9,698	98	1,031	11,692
Ibérica del Espacio, S.A.	1,882	0	4	231	1,596	1	4	270

35. Joint ventures

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

Assets:	**2012**	**2011**
Non-current assets	73	153
Current assets	16,167	27,628
Total assets	**16,240**	**27,781**
Liabilities:		
Non-current liabilities	-	-
Current liabilities	5,541	40,047
Total liabilities	**5,541**	**40,047**
Net assets (liabilities)	**10,699**	**(12,266)**
Revenue	38,834	47,356
Expenses	(10,728)	(38,109)
Profit/(loss) after taxes	**28,106**	**9,247**

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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:	**2012**	**2011**
Non-current assets	68,550	47,405
Current assets	1,354,096	1,354,044
	1,422,646	**1,401,449**
Liabilities:		
Non-current liabilities	34,455	48,175
Current liabilities	1,277,751	1,256,316
	1,312,206	1,304,491
Net assets (liabilities)	**110,440**	**96,958**
Revenue	952,555	943,497
Expenses	(842,505)	(826,319)
Profit after tax	**110,050**	**117,178**

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

36. 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.

37. 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:

	2012	**2011**
Directors and senior management	25	25
Graduates, diploma holders and administrative staff	5,649	5,263
Skilled workers	777	724
Sales staff	24	21
	6,475	**6,033**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

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

	2012	2011
Directors and senior management	-	-
Graduates, diploma holders and administrative staff	369	246
Skilled workers	83	67
Sales staff	-	-
	452	**313**

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

			2012			2011
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Directors and senior management	23	2	25	23	2	25
Graduates, diploma holders and administrative staff	4,297	1781	6,078	3,665	1,525	5,190
Skilled workers	502	334	836	429	285	714
Sales staff	16	8	24	16	4	20
	4,838	**2,125**	**6,963**	**4,133**	**1,816**	**5,949**

Figures above include 970 subcontracted employees (2011: 495 employees)

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

			2012			2011
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Directors and senior management	13	2	15	-	-	-
Graduates, diploma holders and administrative staff	213	91	304	177	69	246
Skilled workers	61	21	82	49	18	67
Sales staff				-	-	-
	287	**114**	**401**	**226**	**87**	**313**

The average number employees at consolidated companies that had a disability of a severity of 33% or higher in 2012 and 2011 is as follows.

	2012	2011
Senior managers	-	-
Graduates, diploma holders and administrative staff	22	15
Skilled workers	2	1
Sales staff	1	1
	25	17

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

c) Audit fees

Fees accrued for audit services rendered to Group companies in 2012 with their auditors and other auditing firms, are detailed below:

- Audit Fees:
  Audits rendered by PwC firms and services other than audit services amounted € 704k (2011: € 671k).
  Other services by regulatory requirements are performed by the auditor: € 134k (2011: € -).
  Companies using the PwC brand: € 177k (2011: € 188k).

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

The directors of the parent company have no disclosures to make with respect to the 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:

- 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-chairman 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.

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

There follows information on total compensation paid to members of the Company's Board of Directors during the year ended 31 December 2012:

- Board meeting attendance fees received by all board members: € 1,064k (2011: €919k).
- Wages and salaries: € 760k (2011: € 756k).
- Insurance premiums and pension plans: € 12k (2011: €19k).
- Services rendered to the Group: € 84k (2011: € -).

38. Events after the balance sheet date

Between 31 December 2012 and the date of authorising these annual accounts for issue, no significant events have occurred that required disclosure, except as mentioned below:

Técnicas Reunidas has been awarded a turnkey contract for the engineering and supply of equipment and materials, construction and commissioning of a Lukoil refinery in Volgograd (Russia). The contract value exceeds EUR 1,100 million.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

Exhibit I

Subsidiaries included in the scope of consolidation – 2012

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. y 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 Panama, S.A.	Panama	100%	Técnicas Reunidas, S.A.	FULL	Dormant	Unaudited
Técnicas Siderúrgicas, S.A.	Madrid	100%	Técnicas Reunidas Construcción y Montaje, S.A.	FULL	Engineering services	Unaudited
Técnicas Reunidas Proyectos Internacionales, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	FULL	Engineering services	Unaudited
Española de Investigación y Desarrollo, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	FULL	Engineering services	PwC
Layar, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	FULL	Real estate development	Unaudited
Layar Real Reserva, S.A.	Madrid	100%	Layar, S.A.	FULL	Real estate development	Unaudited
Eurocontrol, S.A.	Madrid	80%	Layar, S.A y Layar Real Reserva, S.A.	FULL	Inspection, Quality Control & Technical Advisory.	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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

Exhibit I

Técnicas Reunidas Omán LLC	Muscat	70%	Initec Plantas Industriales, S.A.	FULL	Engineering services	PwC
Técnicas Reunidas Hellas, S.A. – Greece	Atenas	100%	Técnicas Reunidas, S.A.	FULL	Engineering services	PwC
Técnicas Reunidas Netherlands B.V	La Haya	100%	Técnicas Reunidas, S.A.	FULL	Engineering services	PwC
Técnicas Reunidas de Construçao Unip. LDA - Portugal	Lisboa	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 TAAHHÜT Limited Sirketi	Istambul	80%	Técnicas Reunidas, S.A.	FULL	Engineering services	PwC
Técnicas Reunidas Dufi CCGT Kft	Budapest	80%	Técnicas Reunidas, S.A:	FULL	Engineering services	Unaudited
TR Canada Inc	Alberta	100%	Técnicas Reunidas, S.A.	FULL	Engineering services	Unaudited
TR Arabia Saudi LLC	Jeddah	100%	Técnicas Reunidas, S.A. / Técnicas Reunidas Proyectos Internacionales, S.A.	FULL	Engineering services	PwC

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

Exhibit I

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. y 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 Panama, S.A.	Panama	100%	Técnicas Reunidas, S.A.	FULL	Dormant	Unaudited
Técnicas Siderúrgicas, S.A.	Madrid	100%	Técnicas Reunidas Construcción y Montaje, S.A.	FULL	Engineering services	Unaudited
Técnicas Reunidas Proyectos Internacionales, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	FULL	Engineering services	Unaudited
Española de Investigación y Desarrollo, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	FULL	Engineering services	PwC
Layar, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	FULL	Real estate development	Unaudited
Layar Real Reserva, S.A.	Madrid	100%	Layar, S.A.	FULL	Real estate development	Unaudited
Eurocontrol, S.A.	Madrid	80%	Layar, S.A y Layar Real Reserva, S.A.	FULL	Inspection, Quality Control & Technical Advisory.	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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

Exhibit I

Técnicas Reunidas Omán LLC	Muscat	70%	Initec Plantas Industriales, S.A.	FULL	Engineering services	PwC
Técnicas Reunidas Hellas, S.A. – Greece	Atenas	100%	Técnicas Reunidas, S.A.	FULL	Engineering services	PwC
Técnicas Reunidas Netherlands B.V	La Haya	100%	Técnicas Reunidas, S.A.	FULL	Engineering services	PwC
Técnicas Reunidas de Construçao Unip. LDA - Portugal	Lisboa	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 TAAHHÜT Limited Sirketi	Istambul	80%	Técnicas Reunidas, S.A.	FULL	Engineering services	Unaudited
Técnicas Reunidas Dufi CCGT Kft	Budapest	80%	Técnicas Reunidas, S.A:	FULL	Engineering services	Unaudited

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

Exhibit II

Associates included in the scope of consolidation - 2012

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 - 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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

Exhibit III

Joint ventures included in the scope of consolidation - 2012

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	PwC
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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

Exhibit III

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

UTEs and consortiums in which the consolidated companies have interests – 2012

Denominación de la entidad	Porcentaje de participación
TR FRANCE BRANCH	100%
TR KHABAROVSK BRANCH	100%
TR MOSCOW BRANCH	100%
UTE ALQUILACION CHILE	100%
UTE EP SINES	100%
UTE HDT/HDK FASE II	100%
UTE HYDROCRACKER HUNGARY	100%
UTE INITEC/TR JU'AYMAH GPE	100%
UTE INITEC/TR MEJILLONES	100%
UTE INITEC/TR PLANTAS HDT Y HCK	100%
UTE INITEC/TR RKF ARGELIA	100%
UTE INITEC/TR SAIH RAWL	100%
UTE INITEC/TR TFT ARGELIA	100%
UTE TR POWER	100%
UTE TR/ALTAMARCA COMPLEJO LA VIÑA	100%
UTE TR/ALTAMARCA PISCINA CUBIERTA	100%
UTE TR/ESPINDESA	100%
UTE TR/ESPINDESA - PEL SINES	100%
UTE TR/ESPINDESA - TR AKITA	100%
UTE TR/I.P.I. TR JUBAIL	100%
UTE TR/I.P.I. ABU DHABI -SAS	100%
UTE TR/I.P.I. C.P.BIO BIO	100%
UTE TR/I.P.I. FENOLES KAYAN	100%
UTE TR/I.P.I. OFFSITES ABUH DABIH	100%
UTE TR/INITEC DAMIETTA LNG	100%
UTE TR/INITEC EBRAMEX INGENIERIA	100%
UTE TR/INITEC INFRA CONS.COMP.LA VIÑA	100%
UTE TR/INITEC INFRA CONS.PC.HUERCAL OVERA	100%
UTE TR/INITEC INFRA CONSTRUCCI.PARCELA S	100%
UTE TR/INITEC JV HAWIYAH GPE	100%
UTE TR/INITEC KJT PR. LNG	100%
UTE TR/INITEC MINATRICO INGENIERIA	100%
UTE TR/INITEC P.I. JV TR RABIGH DP	100%
UTE TR/INITEC PROYECTO DGC CHILE	100%
UTE TR/INTERCONTROL VARIANTE PAJARES	100%
UTE TR/IONICS RAMBLA MORALES	100%
UTE TR/IPI ELEFSINAS	100%
UTE TR/IPI KHABAROVSK	100%
UTE TR/IPI REFINERIA SINES GALP	100%
UTE TR/TREC OPER.DESALADORA R.MORALES	100%
UTE TR/TT HORNOS RUSIA	100%
UTE RUP TURQUIA	100%
UTE TR YANBU REFINERY - TRYR	100%
UTE TR ABU DHABI SHAH I	100%
UTE MARGARITA	100%
UTE TANQUE MEJILLONES	100%
TR ABU DHABI BRANCH	100%
UTE INITEC INFRA/BLC/FBA NAT AEROP.REUS	90%
UTE TR/SOLAER I.S.F. MORALZARZAL	90%
UTE TR/TECNORESIDUOS PT VALDEMINGOMEZ	90%
UTE TR/GEA COLECTOR PLUVIALES H.O.	80%
UTE INITEC I./AN + PD S.C. AEROP.DE SANTIAGO	72%
UTE INFRA/INTECSA PTA CARGA LA LOTETA	50%
UTE TR INTEGRATED PROJECT (TRIP)	100%
UTE TR VOLGOGRADO	100%

Denominación de la entidad	Porcentaje de participación
UTE INITEC INFRA/EVREN EVAL.RECURSOS	70%
UTE INITEC/PYCSA ALBERCA DEL JUCAR	70%
UTE TR/ARDANUY ALGECIRAS	70%
UTE TR/SEG PROY.NT AENA	70%
UTE TR/ALTAMARCA/HMF C.ALCOBENDAS	67%
UTE TR/SENER PROEYCTO HPP GEPESA	60%
UTE TR/FERROVIAL LA PLANA DEL VENT	57%
UTE TR/LOGPLAN A.T.AENA	55%
UTE TR/PAI URBANIZACION CALAFELL	55%
EDIFICIO PIF AEROPUERTO BARCELONA	55%
UTE INFRA/FULCRUM SRPHCS	51%
UTE INITEC INFRA/FULCRUM CUENCAS AT.ANDAL.	51%
UTE CARGA ITOIZ	50%
UTE INITEC I./GEOCART CATASTRO R.D.	50%
UTE INITEC I./KV CONS.CONDUCCION DE TABERNAS	50%
UTE INITEC P.I./SPIE CAPAG MEDGAZ	50%
UTE INITEC/FOSTER ACONCAGUA II	50%
UTE IPI/ACCIONA 5º TANQUE CARTAGENA	50%
UTE PEIRAO XXI	50%
UTE PRESA ITOIZ	50%
UTE PRESA LOTETA	50%
UTE PROVER	50%
UTE RUZAFA	50%
UTE TR/ANETO RED NORTE OESTE	50%
UTE TR/ASFALTOSY CONS.APARCAM.ALCOBENDAS	50%
UTE TR/GDF AS PONTES	50%
UTE TR/GDF BARRANCO DE TIRAJANA	50%
UTE TR/GDF CTCC BESOS	50%
UTE TR/GDF CTCC PUERTO DE BARCELONA	50%
UTE TR/GUEROLA CENTRAL TERMOSOLAR	50%
UTE TR/KV CON.PL.Y URB.ZALIA	50%
UTE TR/RTA VILLAMARTIN	50%
UTE TR/SEG PORTAS	50%
UTE TR/SERCOAL CENTRO DE DIA	50%
UTE TR/SERCOAL EDIFICIO SERVICIOS MULTIPLES	50%
UTE TR/TRIMTOR DEP.CAÑADA GALLEGO	50%
UTE TR/TRIMTOR EDAR LIBRILLA	50%
UTE VALORIZA TR SS2	50%
UTE PERELLO tr/vialobra	50%
UTE ENSA/TR CAMBIADORES TAISHAN	50%
UTE ROSELL INFRA/COMAYPA	50%
UTE INITEC-INTRAESA Tramo II	50%
UTE INITEC-INTRAESA Tramo I	50%
UTE PARQUE RIBALTA	50%
UTE COMAYPA INITEC TVR-CAS	50%
UTE TR/GEA/SANHER EL CARAMBOLO.	40%
UTE INITEC/FOSTER/MAN ACONCAGUA I	33%
UTE TRISA/AST. PET./ODEBRECHT EBRAMEX SUMI.	33%
UTE TRISA/AST. PET/.MINATRICO SUMINISTROS	33%
UTE IPI/TECHNIGAZ TZI CARTAGENA	30%
UTE TR/IONICS/TCOSA/CHSA DEP.OROPESA	25%
VIETNAM	20%
UTE PERLA VENEZUELA	100%
JAZAN REFINERY AND T	100%
UTE TR/ESPINDESA - AUGUSTUS	100%

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012

UTEs and consortiums in which the consolidated companies have interests – 2011

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

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

1. Financial Overview.

The Group prepares its consolidated annual results in compliance with International Financial Reporting Standards (IFRS.)

In fiscal year 2012, Group Net Revenue totaled 2.652 billion euros, an increase of 1.5% over the previous year. The slow award and conversion rate for projects in 2011 dampened the moderate growth of the company.

Operating Income amounted to €148.7 million euros, representing 5.6% of sales. After Tax Income amounted to 136.3 million euros, a 1% increase over the 135.3 million euros of the year before.

2. Research and Development Activities.

TecnicasReunidas has made a significant effort in R&D over the last few years, with average R&D expenditures rising over 10%. These investments demonstrate the clear and decisive bet by TR on R&D as a primary strategy for consolidating the technologies developed to date, and for developing new technologies in new fields based on existing organizational know-how, constituting a clear commitment to diversification.

In this regard, R&D spending in 2012 amounted to 3.4 million euros, an increase of 14% over the 3 million euro expenditures of 2011. Growth in the number of human resources assigned to the Technology Center has also been significant, moving from a staff of 67 in 2011 to a staff of 74 in 2012.

TecnicasReunidas takes part in the following projects, acting within strategic consortia, both at a national and a European level:

- The Cenit (National Strategic Consortia for Technical Research) Sustainable Bio-Refinery (BioSos) project, finalized in 2012, in which we developed monomer synthesis paths from Biomass to obtain products for the construction industry, and in which the Process Engineering Area participates with a 1.8 million euro budget.

- The Cenit project on development for a Recyclable Electric Vehicle (VERDE), in which we are responsible for the recycling of the lithium contained in the batteries, with a budget of 1.88 million euros.

- The Cenit TRAINER project, which involves the development of a new technology for the autonomous and intelligent regeneration of materials (TRAINER), in which the goal is the development of materials with self-repairing capabilities which counteract corrosion, with a budget of 1.46 million euros.

- The Cenit LIQUION project, which researches ionic liquids for industrial applications, and in which TR is developing non-conventional metal extraction methods and power storage systems, with a budget of 2.73 million euros.

- The Cenit 2020 Offshore Wind Power project (AZIMUT), in which we are developing redox reaction battery-based power storage systems, with a budget of 2.17 million euros.

- The ITACA project, under the aegis of the Innpronta program, for which TR is developing new water treatment and evaluation of waste by-product technologies, with a budget of 2.7 million euros.

- The European GREENLION Project, for which we are developing technology for the recycling of lithium-based batteries and in which TR has a budget of 0.63 million euros.

- The European CERAMPOL project, in which new generation membranes are being developed for the treatment of water, with a budget of 0.65 million euros.

Moreover, during 2012 the NECOBAUT, DAPhNE and RECLAIM projects were approved by the European Community, in which TR forms part of the consortia comprised of private enterprises, research centers and universities. For the NECOBAUT project TR is collaborating on the development of iron/air batteries for the automotive sector, with a budget of 0.6 million euros. For the DAPhNE project TR is taking part in the development of industrial microwave ovens for application in high energy consumption industries, with a budget of 1.37 million euros. For the RECLAIM project, TR is developing technologies for the reclamation of rare earth and other high value metals from solar panels and electronic waste, with a budget of 1 million euros.
A great effort is made to continually enhance the portfolio of proprietary know-how, highlighted by achieving the first industrial implementation of the PLINT solvent extraction (SX) process for reclaiming lead and silver at the Horsehead project in the U.S. The ZINCEX process used is itself is undergoing continuing development to broaden the its application to other raw materials, such as concentrated zinc sulphates. In order to achieve this objective, work is being done to convert the Skorpion Zinc plant in Namibia, owned by Vedanta, as well as on the Ozernoe project in Russia for MBC.

3. Significant events after closing the fiscal year.

During the first months of 2013, the same general conditions that characterized 2012 still pertain, with persistent economic uncertainties.

In spite of the fact that the outlook for the industry is positive and continued investments are forecast, global economic conditions may lead to delays in the award of certain projects and in converting projects to open book.

After closing the books, the company signed a new turn-key project with LUKOIL through its LUKOIL-Volgogradneftepererabotka subsidiary, entailing the engineering, procurement of equipment and material, construction, pre-commissioning and support for operational start-up of critical equipment. This is destined for the vacuum gasoil (VGO) deep conversion complex to be built at the Lukoil refinery in Volgogrado, Russia, with a budget of over 1.1 billion euros, and a target completion date set for the end of 2015.

4. Treasury shares acquisition.

There were no treasury stocks operations during 2012.

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.

7. Average Group headcount by category

	2012	2011
Board members & Senior Management	25	25
Graduates, diploma holders	5,649	5,263
Skilled workers	777	724
Sales staff	24	21
TOTAL	**6,475**	**6,033**

8. Environment.

TecnicasReunidas has instituted a Quality, Safety, Health and Environmental Management Policy common to all of its activities. The policy was developed in cooperation with the Quality, Human Resource, and HSE (Health, Safety and Environment) Departments, has been approved by executive management, and establishes the company's commitment to these areas, as well as the general principles for managing with environmental concerns in mind.
This policy is detailed in the Manual, as are the procedures for Quality and Environmental Control Systems covering all company activities (Offices, Projects, Job Sites, and Plants), in compliance with the requirements of ISO 14001.

In accordance with the foregoing, TecnicasReunidas has instituted a corporate Environmental Management System, within the framework of the business sustainability initiative described in the Annual Report on Corporate Governance.

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 Capital Management LLC	Direct	2.797,034	5%

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 AragonesasPromoción de Obras y Construcción, S.L. and BBVA ElcanoEmpresarial I, SCR and BBVA ElcanoEmpresarial II, SCR:

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

- Nine-year shareholder lock-up agreement encompassing BBVA ElcanoEmpresarial I, SCR and BBVA ElcanoEmpresarial 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 FernándezUrrutia right of first refusal over the said shares.

12. Rules governing the appointment and replacement of directors and the amendment of theCompany'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 TécnicasReunidas, 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).

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 € 2,817k 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 attached to this Directors’ Report.

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

TECNICAS REUNIDAS

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