08 consolidated financial

statements, management report and audit report 2008

TECNICAS REUNIDAS

TECNICAS REUNIDAS

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts at 31 December 2008
and Director's Report 2008

TECNICAS REUNIDAS

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

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Note

Financial year 2008 was yet another year of growth which saw a decidedly heavy emphasis on the Group's management priorities. Técnicas Reunidas was more selective in the projects undertaken, identifying and taking advantage of opportunities with new clients in new geographical areas which improved our position as a leading international player in the sector.

Técnicas Reunidas recognised net profits of €140 million, which is 30% more than in 2007. Ordinary income surpassed €2,479 million, reflecting growth of 24% over the year before and the company ended the fiscal year with €575 million of net cash generated.

These results were favoured by the addition of new companies to our client base (Hellenic Petroleum, Essent, MOL and Water Corporation) in an equal number of new markets (Greece, Holland, Hungary and Australia), which offer a great deal of potential for the Group to further diversify its income. Income from Spain accounted for 30% of the total, while OECD countries accounted for 8% and the rest of the world, including the Gulf, the remaining 62%.

In 2008, Técnicas Reunidas was the recipient of some important projects in different lines of business, the most noteworthy of these being two large refinery projects, the conversion of three downstream projects commenced into turnkey projects, a regasification project, two combined cycle power plants and a big desalination project. Hence, all divisions of the company enjoyed significant growth.

The Técnicas Reunidas staff is one of its most valuable assets. The company's human resources are its most valuable intangible asset. Once again this year, Técnicas Reunidas has adapted its professional staff to accommodate the high growth of the order book, closing the year with 5,232 employees.

In addition, in order to ensure that the right resources are assigned to each project, Técnicas Reunidas has a network of satellite offices and maintains relations with other engineering firms for subcontracting, all of which affords greater flexibility.

2008 was a relevant year for the company's stock, which after just one year and nine months was included on the selective Spanish stock market. During the first half of the year, Técnicas Reunidas's stock appreciated 24%, pounding the Ibex 35 during that time. In the second half of the year the company's stock was affected by the economic recession just like the rest of the sector and the financial markets in general. Even so, Técnicas Reunidas continued to create value for its shareholders, increasing the per share payout from €1.87 per share to €2.49 per share. At the same time, the company concluded an agreement with Merrill Lynch Capital Partners to foster the stock's liquidity and reduce its volatility on the market.

The evolution of each one of Técnicas Reunidas's business lines was as follows:

Oil and Gas

Throughout 2008, Técnicas Reunidas managed to grow its portfolio of new projects and set itself apart from its larger international competitors, strengthening its position with larger clients and investors from the oil and gas sector.

In 2008, the energy sector was indirectly affected by the world economic situation. Since the recognition in the middle of the year that the world's largest economies were in recession, the outlook for energy demand has been affected. The lowering of growth forecasts by the most influential bodies (FED, IMF and OECD) conditioned the official forecasts for energy consumption in 2008 and 2009. Despite this, sector needs associated with a shortage of production capacity, the need to update and adapt existing plants to current requirements and the need for oil-producing countries to develop their countries by investing in the oil and gas value chain, continue to exist. Although the forecast for long term oil and gas demand (over the next 25 years) was reduced by 8.5% and 7.2%, respectively, compared to the year before, the estimated investment linked to this demand has been revised upward. Specifically, the estimated investment in oil for the next 25 years is $6.072 billion, which is 19% higher than the previous year's forecast, while the estimated investment in gas over the next 25 years is $5.330 billion, which is up by 29% over the previous year's forecast (source: IEA World Energy Outlook 2008).

In 2008, Técnicas Reunidas intensified its presence in the Persian Gulf and Europe, as these areas offer the greatest potential for growth. The potential for future investment in these geographical areas is strong due to the fact that these countries need to be developed and updated.

The income from this activity was up by 24% to €2,044 million and accounted for 82% of total sales.

Refining and Petrochemicals

- At the beginning of the year, Técnicas Reunidas converted the refinery project in Cartagena for Repsol, originally awarded on an "open book" basis in October 2006, into a turnkey project.
  The enlargement of the Cartagena refinery will be the largest industrial investment made in Spain to date.

- In May 2008, Hellenic Petroleum (HELPE) awarded the verification of FEED and the subsequent engineering work for the project to modernise the Elefsina refinery. The Elefsina will maintain its current production capacity of 100,000 bpd and constitutes the largest investment ever made by HELPE in Greece.

- Also in the second quarter of the year, MOL Hungarian Oil & Gas PLC awarded Técnicas Reunidas a contract to execute the "open book" phase of the new gas and oil hydrocracking unit at MOL's Duna refinery in Szazhalombatta, Hungary. The contract includes an EPC turnkey conversion option.

- The company SAMIR awarded Técnicas Reunidas a contract for the crude distillation unit at its Mohammedia refinery in Morocco.

- In early September, Técnicas Reunidas received a contract award for a new alkylation unit at ENAP's Aconcagua refinery in Chile.

- In the last quarter, Técnicas Reunidas and Abu Dhabi Polymers Company Limited, Borouge, signed an agreement to convert a project involving the auxiliary and interconnection systems at the Ruwais petrochemical complex in Abu Dhabi in the United Arab Emirates into a turnkey project. Técnicas Reunidas commenced work on this project in April 2007 under a reimbursable service agreement which provides for the possibility of conversion to a turnkey project. The project includes the supply of all auxiliary systems and interconnections for the enlargement of the Borouge 2 complex.

- During the same period, an agreement was signed with Saudi Kayan Petrochemical Company to convert a phenol unit project at the Jubail petrochemical complex in Saudi Arabia into a turnkey project. This project began in 2007 under the same type of pro service arrangement as the previous one. The phenol project is part of the Saudi Kayan petrochemical complex, whose principal investors are SABIC along with their partner, Kayan Petrochemical Company.

- In addition to these projects, in the second half of the year Técnicas Reunidas received a number of technology contract awards for which the company will use its own proprietary licenses and which will reinforce the diversification of its services and knowledge of the sector. The technology projects awarded included a basic engineering license for a nitric acid plant for Dow and Saudi Aramco in Saudi Arabia and a zinc plant for Dowa Metals & Mining in Japan.

The group continued to make progress on the contracts awarded in prior years. Some of them are close to the delivery date such as the Dung Quat refinery project in Vietnam for Petrovietnam, the refinery units for PEMEX in Minatitlán (Mexico) and the high performance polymer plant for SABIC in Cartagena, Spain. The company successfully concluded other projects, meeting all of the established execution objectives and deadlines. Such projects included the Rabigh refinery in Saudi Arabia for Saudi Aramco, the Tüpras projects in Kirikale and Izmit (Turkey), the cumene unit for CEPSA in Huelva and the coke unit for ENAP in Chile.

Natural Gas and Upstream

The natural gas and upstream division also had a successful year. In the fourth quarter, Técnicas Reunidas, in a consortium with Acciona, was awarded a contract by GASCAN for the construction of two Liquid Natural Gas (LNG) terminals in Granadilla (Tenerife) and Arinaga (Gran Canaria). This turnkey project includes the engineering, material and equipment supplies and the construction of a regasification plant that includes a 150,000 m3 capacity storage tank.

In 2008, Técnicas Reunidas continued to work on projects awarded previously, such as the Saih Rawl project for PDO in Omán, the Hawiyah project for Saudi Aramco in Saudi Arabia and the Medgaz project in Algeria.

Moreover, the company successfully delivered the following projects: The Ju'aymah gas treatment project for Saudi Aramco in Saudi Arabia, the Kuwait Oil Company GC-28 and Telemetry projects in Kuwait, the RKF compression project for the Cepsa and Sonatrach consortium in Algeria and the TFT gas processing and transport contract for the consortium comprising Sonatrach, Total and Repsol.

Energy

This business area has gradually been occupying a larger piece of the Técnicas Reunidas order book in recent years due to the growing demand for these types of projects. Until 2007, this business was confined primarily to the local level but the company embarked upon an expansion initiative due to the demand beyond our borders. In 2008, the Group continued to implement that strategy, expanding the portfolio in Europe and the Persian Gulf.

The most relevant contract awards during the year were as follows:

- In the middle of the year, Saudi Aramco chose Técnicas Reunidas for the Manifa energy generation project in Saudi Arabia. The contract calls for a combined cycle 400MW power plant with two gas and one steam turbine, steam boilers as well as electrical and connection substations.
  As the Group's first energy project in the Gulf, it is a very significant award for Técnicas Reunidas which reaffirms the trust our client, Saudi Aramco, has in us thanks to our experience in other business areas.

- In the same quarter, Técnicas Reunidas and General Electric were chosen to build a combined cycle plant for Essent in Moerdijk, Holland. The combined cycle will have a capacity of 426 MW.

The revenues from this line of business grew by 29% in 2008, thanks primarily to the Saih Rawl project, with a generation capacity of 120 MW, the second phase of the Escatrón power plant for Global 3 and the 800 MW combined cycle project at the Port of Barcelona for Gas Natural awarded to the company in a Joint Venture with General Electric.

Técnicas Reunidas is present in all energy area, closely monitoring the opportunities that arise in the sector with professionals who know how to satisfy the market's needs. Hence the company's active strategy in the nuclear sector. According to the latest annual report of the International Energy Agency, nuclear capacity is expected to grow by 16%, from 372 GW to 433 GW between 2007 and 2030. There is therefore a real need to build more nuclear power plants and update existing ones. This opens the door to companies with credentials in this field, as is the case of Técnicas Reunidas. Since these are projects that take a long time to implement, the long term contracts until the plants are up and running bring in recurring revenues.

In 2008, through the investee company Empresarios Agrupados, Técnicas Reunidas continued to render engineering services to power plants operating in Spain and also worked on the following projects:

Collaboration on the engineering and design of the new generation III+"Economical Simplified Boiler Water Reactor" (ESBWR), with 1,550 MW of power, in association with General Electric – Hitache (GEH). The services included providing support to GEHfor the obtainment of the ESBWR Design Certification by the "Nuclear Regulatory Commission" (NRC) in the US and the COL application for power plant projects in the United States with this reactor.

Project engineering for the nuclear power plant in Lungmen (Taiwan) for the Taiwan Power Corporation (TPC), consisting of two ABWR "Advanced Boiling Water Reactor" type units with 1,360 MW of power each, also in association with General Electric Nuclear Energy.

Development of the 165 MW "Pebble Bed Modular Reactor" (PBMR) in South Africa for a consortium led by the electricity company Eskom. The most relevant activity in this case was the design of the reactor's primary pressure retention system.

Participation in various R+D projects included in the 6th and 7th Framework Programmes of the European Union related to the development of future nuclear power plants as part of an international programme for advanced 4th generation reactors which would be operational within 30 years.

Management of the dismantling of Block V-1 of the Bohunice nuclear power plant in Slovakia. The European Bank for Reconstruction and Development (EBRD) of London financed the project.

Preparation of safety studies for the ITER fusion reactor to be built in Cadarache, France.

Work also commenced on:

Preparation of specifications for the Request for Proposals for the construction of a new nuclear power plant with PWR technology (pressurized water reactor) in the Czech Republic for ČEZ.

Consulting services contracted by the Lithuanian electricity company VAE in connection with the construction of the new Visigino nuclear power plant in Lithuania in which electricity companies from Estonia, Letonia and Poland will also participate.

Consulting services for the Swiss electric company NOK in relation to the preparation of studies and documentation needed to request a licence to build a new nuclear power plant in Switzerland with a light water reactor.

Técnicas Reunidas also made progress domestically in its work on a biodiesel production plant in Extremadura for the Green Fuel Consortium in which Técnicas Reunidas is also a partner.

Infrastructures

Thanks to different projects in multiple fields such as airports, industrial facilities, desalination plants, water treatment plants and work done for government agencies and other bodies, including car parks, theatres and sport facilities, this division continued to grow in 2008.

Of all the projects, perhaps the most notable is the contract awarded to Técnicas Reunidas as part of the “Southern Seawater Alliance" for the construction of a new seawater desalination plant in Perth, Australia for WATER CORPORATION. Técnicas Reunidas holds a 38% stake in the consortium.

The desalination plant, the Southern Seawater Desalination Plant, will have a capacity of 50 hm3 per year (extendable to 100 in a second phase). The consortium will be in charge of the design, turnkey construction, operation and maintenance of the plant, including water pipes and other infrastructure required to integrate the desalination plant with the water supply system.

The revenues from Infrastructure and Other business were €107 million in 2008. The projects that contributed most to that growth were: The Hexcel Composites fibre plant in Illescas, the engineering for a solar panel production plant and a plant that produces polysilicon and other chips. Work continued on the projects awarded the year before, including: The desalination plant for ACUAMED (Ministry of the Environmental) in Oropesa, Castellón and the project to remodel the Port of Vigo for the Port of Vigo Port Authority.

José Lladó	Juan Lladó
President	Vicepresident

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

AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the Shareholders of Técnicas Reunidas, S.A.

We have audited the consolidated annual accounts of Técnicas Reunidas, S.A. (Parent Company) and its subsidiaries (the Group), consisting of the consolidated balance sheet as at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes to the consolidated annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the Parent Company. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed in accordance with auditing standards generally accepted in Spain, which require the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

For comparative purposes and in accordance with Spanish Corporate Law, the Parent Company's Directors have presented for each item in the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes to the consolidated annual accounts, the corresponding amounts for the previous year as well as the amounts for 2008. Our opinion refers solely to the 2008 consolidated annual accounts. On 2 April 2008 we issued our audit report on the consolidated annual accounts for 2007, in which we expressed an unqualified opinion.

In our opinion, the accompanying consolidated annual accounts for 2008 present fairly, in all material respects, the consolidated financial position of Técnicas Reunidas, S.A. and its subsidiaries as at 31 December 2008 and the consolidated results of their operations, changes in consolidated net equity and consolidated cash flows for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with International Financial Reporting Standards as adopted by the European Union, applied on a basis consistent with the preceding year.

The accompanying consolidated Directors' Report for 2008 contains the information that the Parent Company's Directors consider relevant to the Group's position, 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 aforementioned Directors' Report coincides with that of the consolidated annual accounts for 2008. Our work as auditors is limited to checking the consolidated Directors' Report within the scope already mentioned in this paragraph and it 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 Javier Lapastora Turpín
Partner

27 February 2009

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CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2008

CONSOLIDATED BALANCE SHEET
(In thousands of euros)

	Note	At 31 December	
		2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	6	30.893	22.949
Goodwill	7	1.242	1.242
Other intangible assets	7	29.120	22.035
Investments in associates	8	11.529	6.856
Deferred tax assets	29	26.563	19.578
Available-for-sale financial assets	9	4.983	3.371
Derivative financial instruments	10	6.863	797
Receivables and other assets	13	3.918	3.147
		115.111	**79.975**
Current assets			
Inventories	12	13.670	16.349
Trade and other receivables	11	1.422.815	911.876
Receivables and other assets	13	12.202	12.317
Derivative financial instruments	10	4.411	16.767
Financial assets at fair value through profit or loss	14	34.131	17.736
Cash and cash equivalents	15	604.339	462.047
		2.091.568	**1.437.092**
Total assets		**2.206.679**	**1.517.067**

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2008

CONSOLIDATED BALANCE SHEET
(In thousands of euros)

	Note	At 31 December 2008	At 31 December 2007
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	16	5.590	5.590
Share premium account	16	8.691	8.691
Treasury shares	16	(55.644)	-
Other reserves	17	1.137	1.137
Hedging reserve	10	(9.274)	19.032
Cumulative translation difference	18	(1.831)	(2.905)
Retained earnings		304.031	220.295
Interim dividend	19	(34.762)	(25.153)
Net equity attributable to shareholders		**217.938**	**226.687**
Minority interests	19	**7.672**	**5.170**
Total equity		**225.610**	**231.857**
LIABILITIES			
Non-current liabilities			
Borrowings	21	16.170	11.919
Derivative financial instruments	10	14.810	35
Deferred tax liabilities	29	5.325	3.820
Other payables	20	1.652	2.015
Other liabilities		682	917
Employee benefit obligations	22	5.071	4.454
Provisions for liabilities and charges	23	24.141	25.131
		67.851	**48.291**
Current liabilities			
Trade payables	20	1.765.370	1.134.593
Current tax liabilities		27.555	24.421
Borrowings	21	46.947	46.105
Derivative financial instruments	10	20.069	-
Other payables	20	44.080	27.732
Provisions for liabilities and charges	23	9.197	4.068
		1.913.218	**1.236.919**
Total liabilities		**1.981.069**	**1.285.210**
Total equity and liabilities		**2.206.679**	**1.517.067**

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CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2008

CONSOLIDATED INCOME STATEMENT
(In thousands of euros)

	Note	Year ended 31 December	
		2008	**2007**
Ordinary revenues	**24**	2.478.518	2.005.176
Difference between opening and closing inventories		(53)	(862)
Own work capitalised		4.068	8.093
Raw materials and consumables		(1.685.732)	(1.386.996)
Employee benefit expense	**26**	(273.826)	(214.019)
Depreciation/amortisation and impairment loss charges	**6 and 7**	(6.021)	(5.315)
Lease and royalty expenses	**27**	(56.131)	(33.218)
Other operating expenses	**25**	(326.902)	(267.197)
Other operating revenues	**25**	8.379	2.324
Operating profit		**142.300**	**107.986**
Financial income	**28**	19.630	12.961
Financial expense	**28**	(14.920)	(6.920)
Share in profit/loss of associates	**8**	465	571
Profit before taxes		**147.475**	**114.598**
Income tax	**29**	7.191	6.724
Profit for the year		**140.284**	**107.874**
Attributable to:			
Company's equity holders		137.108	104.680
Minority interests	**19**	3.176	3.194
		140.284	**107.874**
Earnings per share (expressed in euro per share)			
- Basic and diluted	**30**	2,49	1,87

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2008

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In thousands of euros)

	Attributable to the Company's equity holders								Minority interests (Note 19)	Total equity
	Share capital (Note 16)	Share premium account (Note 16)	Treasury shares (Note 16)	Other reserves (Note 17)	Hedging reserve (Note 10)	Cumulative translation difference (Note 18)	Retained earnings	Interim dividend (Note 19)		
Balance at 1 January 2007	**5.590**	**8.691**	-	**1.137**	**9.106**	**414**	**151.389**	**(16.769)**	**2.619**	**162.177**
Effect on hedging reserves	-	-	-	-	9.926	-	-	-	-	9.926
Effect on conversion differences	-	-	-	-	-	(3.319)	-	-	-	(3.319)
Gross income recognised directly in net assets	**-**	**-**	**-**	**-**	**9.926**	**(3.319)**	**-**	**-**	**-**	**6.607**
Tax effect	-	-	-	-	-	-	-	-	-	-
Net income recognised directly in net equity	**-**	**-**	**-**	**-**	**9.926**	**(3.319)**	**-**	**-**	**-**	**6.607**
2007 results	-	-	-	-	-	-	104.680	-	3.194	107.874
Total income recognised for 2007	**-**	**-**	**-**	**-**	**9.926**	**(3.319)**	**104.680**	**-**	**3.194**	**114.481**
Distribution of 2006 results	-	-	-	-	-	-	(35.774)	16.769	-	(19.005)
Other movements	-	-	-	-	-	-	-	-	(643)	(643)
Interim dividend against 2007	-	-	-	-	-	-	-	(25.153)	-	(25.153)
Balance at 31 December 2007	**5.590**	**8.691**	**-**	**1.137**	**19.032**	**(2.905)**	**220.295**	**(25.153)**	**5.170**	**231.857**

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2008

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In thousands of euros)

	Attributable to the Company's equity holders								Minority interests (Note 19)	Total equity
	Share capital (Note 16)	Share premium account (Note 16)	Treasury shares (Note 16)	Other reserves (Note 17)	Hedging reserve (Note 10)	Cumulative translation difference (Note 18)	Retained earnings	Interim dividend (Note 19)		
Balance at 1 January 2008	**5.590**	**8.691**	-	**1.137**	**19.032**	**(2.905)**	**220.295**	**(25.153)**	**5.170**	**231.857**
Effect on hedging reserves	-	-	-	-	(31.067)	-	-	-	-	(31.067)
Effect on Exchange differences	-	-	-	-	-	1.074	-	-	-	1.074
Gross income recognised directly in net equity	-	-	-	-	**(31.067)**	**1.074**	-	-	-	**(29.993)**
Tax effect of results recognised directly in net equity	-	-	-	-	2.761	-	-	-	-	2.761
Net income recognised directly in net equito	-	-	-	-	**(28.306)**	**1.074**	-	-	-	**(27.232)**
2008 results	-	-	-	-	-	-	137.108	-	3.176	140.284
Total income recognised for 2008	-	-	-	-	**(28.306)**	**1.074**	**137.108**	-	**3.176**	**113.052**
Transactions with treasury stock or equity shares (net)	-	-	(55.644)	-	-	-	567	-	-	(55.077)
Distribution of 2007 results	-	-	-	-	-	-	(53.939)	25.153	-	(28.786)
Other movements	-	-	-	-	-	-	-	-	(674)	(674)
Interim dividend against 2008	-	-	-	-	-	-	-	(34.762)	-	(34.762)
Balance at 31 December 2008	**5.590**	**8.691**	**(55.644)**	**1.137**	**(9.274)**	**(1.831)**	**304.031**	**(34.762)**	**7.672**	**225.610**

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

CONSOLIDATED CASH FLOW STATEMENT
(In thousands of euros)

	Note	Year ended 31 December 2008	Year ended 31 December 2007
Cash flows from operating activities			
Profit for the year		140.284	107.874
Adjustments:			
- Taxes	**29**	7.191	6.724
- Depreciation/amortisation of PPE and intangible assets	**6 and 7**	6.021	5.315
- Net movements in provisions for liabilities and charges		14.624	855
- Share in profit/loss of associates	**8**	(465)	(571)
Changes in working capital:			
- Inventories		2.679	1.502
- Trade and other receivables		(511.239)	(193.862)
- Other receivables		115	(9.979)
- Financial assets at fair value through profit or loss		(16.395)	3.820
- Trade payables		630.777	251.333
- Current tax liabilities		(9.537)	1.680
- Provisions for liabilities and charges and other payables		(3.451)	(9.124)
Other changes		13.818	(2.496)
Net cash generated from operating activities		**274.422**	**163.071**
Cash flows from investing activities			
Purchases of property, plant and equipment	**6**	(11.518)	(7.262)
Purchases of intangible assets	**7**	(9.593)	(9.682)
Acquisition of available-for-sale financial assets	**9**	(2.172)	(1.608)
Acquisition of associates	**8**	(4.912)	(561)
Acquisition of other non-current assets		(771)	(1.116)
Disposal of non-current assets		1.325	703
Net cash applied in investment activities		**(27.641)**	**(19.526)**
Cash flows from financing activities			
Proceeds from borrowings		33.798	7.692
Payment of external resources		(28.704)	-
Dividends paid		(53.939)	(35.774)
Acquisition of treasury stock		(55.644)	-
Net cash applied in financing activities		**(104.489)**	**(28.082)**
Net change in cash and cash equivalents		**142.292**	**115.463**
Cash and cash equivalents at beginning of the year		**462.047**	**346.584**
Cash and cash equivalents at end of the year		**604.339**	**462.047**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros)

1. General information

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

The registered office of TECNICAS REUNIDAS, S.A. is located at Calle Arapiles 14, Madrid. Its head office is located at Calle Arapiles 13, Madrid.

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

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

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

The Group's consolidated annual accounts for the 2007 fiscal year were approved by the General Meeting of Shareholders held on 20 June 2008.

These consolidated annual accounts were prepared by the Board of Directors on 27 February 2009. The Directors will submit these consolidated annual accounts to the Annual General Meeting and they are expected to be approved without changes.

At year-end 2008, TÉCNICAS REUNIDAS, S.A. is the parent of a group (the Group) formed by: TÉCNICAS REUNIDAS, S.A., the parent company, its subsidiaries and associates. The Group also has interests in joint ventures and UTEs. Exhibits I, II, III and IV to these notes contain additional information on the entities included in the scope of consolidation.

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

For the purposes of preparing the consolidated annual accounts, a group is understood to exist when the parent company has one or more subsidiaries, i.e. companies controlled directly or indirectly. The principles applied to prepare the Group's consolidated annual accounts and the consolidation scope are described in Note 2.2**.**

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

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

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

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

In 2007, the companies Green Fuel Aragón S.A., Green Fuel Internacional.S.A. and Técnicas Reunidas Ensol, S.A. were included in the scope of consolidation; these are newly created companies and their principal objectives are to supply engineering services and execute renewable energy; and the SICAV PEGASIDES was removed.

The following changes were made to the consolidation perimeter in 2008:

The companies Técnicas Reunidas Hellas, Técnicas Reunidas Netherlands, TR De Construcao and Técnicas Reunidas Australia Pty Ltd,, all newly created companies whose mission is to provide engineering and project-related services, were added to the consolidation perimeter. The companies had not activity during the year.

In November 2008, the group subscribed the capital increase of the company Green Fuel Corporación, S.A., in which Técnicas Reunidas, S.A. held a stake of 20.93% at the end of 2007. To pay for the capital increase, the company made a non-cash investment of shares in the companies Sociedades Green Fuel Aragón, S.A. and Green Fuel Internacional, S.A., in which Técnicas .Reunidas, S.A. held stakes of 20.84% and 26.00% at the end of 2007, respectively, Following this transaction, the stake controlled by Técnicas Reunidas, S.A. in Green Fuel Corporación, S.A. stood at 25.07% at the end of the year.

The sale of the shares owned by one of the partners in Sociedad Ibérica del Espacio, S.A., to the other shareholders was concluded in September 2008.At the end of 2007, Técnicas Reunidas, S.A. controlled a 20.71% stake in that company. Following this acquisition, Técnicas Reunidas, S.A. controlled 45.73% of Ibérica del Espacio, S.A.

The changes in associated companies did not have a significant influence on the overall consolidated figures for fiscal year 2008.

2. Summary of the main accounting policies

Set out below is a description of the main accounting policies applied to prepare these consolidated annual accounts. The policies have been applied on a uniform basis to all the financial years presented.

2.1. Basis of presentation

The Group's consolidated annual accounts at 31 December 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for use in the European Union, approved by European Commissions Regulations and in force at 31 December 2008.

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

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

The preparation of consolidated annual accounts under IFRS requires the use of certain critical accounting estimates. The use of IFRS also requires that management exercise judgement when applying the Company's accounting policies. Note 4 discloses the areas that require a higher level of judgement or entail greater complexity or the areas where assumptions and estimates are significant for the consolidated annual accounts.

The figures in these financial statements are shown in thousands of Euros unless otherwise mentioned explicitly.

a) Norms, modifications and interpretations effective in 2008

IAS 39 (Modification) "Financial Instruments: Recognition and Measurement" and IFRS 7 (Modification) "Financial Instruments: Disclosures" Restatement of financial instruments. This interpretation has no significant effect on the Group's annual accounts.

IFRIC 14, "IAS 19 – Limits on the assets allocated to a defined benefit plan, minimum financing requirements and interrelations between the two" which sets down the guidelines for evaluating the limits established in IAS 19 on the surplus that can be recognised as assets. This interpretation has no effect on the Group's accounts .

IFRIC 11, "IFRS 2 – Share-based payments" which establishes the principles for determining whether a share-based transaction involving treasury stock or other group entities should be recognised as a transaction with a share-based payment settled with asset instruments or in cash on the individual accounts of the parent company and Group companies. This interpretation has no effect on the Group's accounts.

b) Norms, modifications and interpretations of existing norms that have not yet become effective and that the Group has not applied in advance

As of the date of these annual accounts, the IASB has published the following interpretations. These interpretations are mandatory for fiscal years starting on or after 1 January 2009 and had not been previously adopted by the Group:

IFRS 8 "Operating segments" (applicable as from 1 January 2009). IFRS 8 replaces IAS 14 and brings the requirements for filing financing statements by segments in line with the American standard, SFAS 131 "Disclosures about segments of an enterprise and related information". The new standard requires a new management approach whereunder the information by segments is presented on the same basis as that used for internal purposes. This interpretation is not expected to have a significant effect since the Group adheres to the methodology established in IFRS 8 to prepare its financial information by segments

IAS 23 (Modification), "Interest Costs " applicable as from 1 January 2009). This standard requires companies to capitalise interest costs that are directly attributable to the acquisition, construction or production of a qualified asset (one which necessarily requires a substantial period of time before it ready for use or sale) as part of the cost of the asset. The Group is evaluating the impact of IAS 23, as modified, but in principle will not be affected by this modification due to the fact that it is already capitalising the financial expenses related to qualified assets pursuant to the alternative treatment permitted under IAS 23.

IAS 1 (Revised), "Presentation of Financial Statements", applicable as from 1 January 2009), is intended to improve the ability of users to analyse and compare the information shown on the financial statements. The Group is analysing the possible impact of this standard were it to be adopted by the European Union.

IFRS 2 (Modification) "Share-Based Payments" applicable as from 1 January 2009). This modification addresses the conditions for the irrevocability of the concession of rights and cancellations. The impact of this modification is not expected to be relevant.

IAS 32 (Modification) "Financial Instruments: Presentation" and IAC 1 (Modification) "Presentation of Financial Statements" – "Puttable Instruments and Obligations Arising on Liquidation" applicable as from 1 January 2009). This revised standard is pending adoption by the European Union. It is not expected to have an effect on the financial statements. .

IFRS 1 (Modification) "First-time Adoption IFRS" and IAS 27 "Consolidated and Separate Financial Statements" applicable as from 1 January 2009). The Group will also apply IFRS 1 (modified) as from 1 January 2009, the transition date to IFRS of the Group's subsidiaries. This revised standard is pending adoption by the European Union but will not have an effect on the Group's consolidated annual accounts.

IAS 27 (Revised) "Consolidated and Separate Financial Statements" (applicable as from 1 January 2009). This revised standard is pending adoption by the European Union. The Group is analysing the possible impact of this standard were it to be adopted by the European Union.

IFRS 3 (Revised) "Business Combinations" (applicable as from 1 July).The revised standard maintains the acquisition method for business combinations but introduces significant changes. This revised standard is pending adoption by the European Union but will not have an effect on the Group's annual accounts.

IAS 39 (Modification) "Items eligible for designation as hedged items" (applicable as from 1 July 2009). This modification is pending adoption by the European Union but is not expected to have an effect on the financial statements.

IFRIC 12 “Service Concession Arrangements”. This applies to contracts in which one private operator participates in the development and maintenance of a service infrastructure for the public sector. This interpretation is pending adoption by the European Union. The Group is analysing the possible impact of this standard were it to be adopted by the European Union.

IFRIC 16, “Hedge of a net investment in a foreign operation” (applicable as from 1 October 2008). This interpretation is pending adoption by the European Union. It is not expected to have an effect on the financial statements .

IFRIC 17, “Distribution of non-cash assets to owners”. This interpretation applies to all fiscal years starting on or after 1 July 2009 and is pending adoption by the European Union. It will not have an effect on the Group’s accounts.

IFRIC 13, “Customer Loyalty Programmes ”. This is not relevant since none of the Group’s companies have any plans for customary loyalty programmes.

IFRIC 15 “Agreements for the Construction of Real Estate ” (applicable as from 1 January 2009). This is not expected to have a relevant impact on the Group’s operations. This interpretation is pending adoption by the European Union.

IAS 16 (Modification) “Tangible fixed assets” (and corresponding modification of IAC 7 “Cash flow statements”) (applicable as from 1 January 2009). This is not expected to have a relevant impact on the Group’s operations.

IAS 27 (Modification) “Consolidated and separate financial statements” (applicable as of 1 January 2009). This is not expected to have a relevant impact on the Group’s operations.

IAS 28 (Modification) “Investments in Associate Companies) (and modifications corresponding to IAC 32 “Financial Instruments: Presentation” and IFRS 7 “Financial Instruments: Disclosures”) (applicable as of 1 January 2009). This is not expected to have a relevant impact on the Group’s operations.

IAS 29 (Modification) “Financial Reporting in Hyperinflationary Economies” (applicable as of 1 January 2009). Will not have an impact on the Group’s accounts.

IAC 31 (Modification) “Interests in Joint Ventures” (and modifications corresponding to IAS 32 and IFRS 7) (applicable as of 1 January 2009). It is not expected to have an effect on the financial statements .

IAS 38 (Modification) “Intangible Assets” (applicable as of 1 January 2009). It is not expected to have an effect on the financial statements.

IAS 40 (Modification) “Real Estate Investments” (and modifications corresponding to IAC 16) (applicable as of 1 January 2009). Has no effect on the Group’s accounts .

IAS 41 (Modification) “Agriculture” (applicable as of 1 January 2009). Has no effect on the Group’s accounts.

IAS 20 (Modification) “Accounting of Government Grants and Disclosure of Government Assistance” (applicable as of 1 January 2009). It is not expected to have an effect on the financial statements.

Draft improvements published by IASB in May 2008, adopted by the European Union in January 2009 which affects the following standards and interpretations: IFRS 5 (Modification), “Non-current Assets Held for Sale and Discontinued Operations”; IAS 23 (Modification) “Interest Costs ”; IAS 28 (Modification) ”Investments in Associates”; IAC 36 (Modification) “Impairment of Assets”; IAS 38 (Modification) “Intangible Assets”; IAS 19 (Modification) “Employee Benefits”; IAS 39 (Modification) “Financial Instruments: Recognition and Measurement”; IAS 1 (Modification) “Presentation of Financial Statements”; Other minor changes in IFRS 7, IAS 8, IAS 10, IAS 18 and IAS 34.

2.2. Consolidation principles

Subsidiaries
Subsidiaries are all companies over which the Group has the authority to direct financial and operating policies. Control is presumed to exist when the shareholding exceeds 50% of the voting rights or, if less, when other reasons or events demonstrate the existence of control (for example, agreements between shareholders). When assessing whether the Group controls another company, the existence and effects of potential voting rights which may be currently exercised or converted are taken into account. Subsidiaries are consolidated as from the date on which control is transferred to the Group and are excluded from the consolidation on the date on which such control ceases.

The Group accounts for the acquisition of subsidiaries under the purchase method. Acquisition cost is the fair value of the asset delivered, the equity instruments issued and the liabilities incurred or assumed at the date of exchange, plus the costs directly attributable to the acquisition. The identifiable assets acquired and identifiable contingencies assumed in a business combination are initially measured at fair value on the acquisition date, irrespective of minority interests. The excess of acquisition cost over the fair value of the Group's interest in identifiable net assets acquired is recognised as goodwill. If the acquisition cost is less than the fair value of net assets in the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment losses on the asset transferred. When necessary to ensure consistency with Group policies, subsidiaries' accounting policies are changed accordingly.

Exhibit I provides the identification details of the subsidiaries included in the scope of consolidation under the full consolidation method.

Associates
Associates are all companies over which the Group exercises significant influence but not control. Significant influence is presumed to exist when the shareholding is between 20% and 50% of voting rights or, when the shareholding is lower, there are events and circumstances which demonstrate the exercise of significant influence. Investments in associates are recorded using the equity method and are initially recognised at cost. Group investments in associates include goodwill (net of any accumulated impairment loss) identified on the acquisition.

The Group's share of losses or gains subsequent to the acquisition of associates is recognised in the income statement and its share of movements in reserves subsequent to the acquisition is recognised in reserves. Cumulative movements subsequent to the acquisition are adjusted against the carrying amount of the investment. Where the Group's share of the losses obtained by an associate is equal to or exceeds its shareholding, including any other unsecured receivables, the Group does not recognise any additional losses unless it has incurred obligations, or made payments, on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated in proportion to the Group's shareholdings in the associates. Unrealised losses are also eliminated, except when the transaction provides evidence of impairment losses affecting the asset being transferred. When necessary to ensure consistency with Group policies, associates' accounting policies are changed accordingly.

Exhibit II provides the identification details of the associates included in the scope of consolidation under the equity method.

Joint ventures
Shareholdings is in combined businesses are consolidated using the proportionate method. The Group combines its share of the assets, liabilities, revenues, expenses and cash flows of the jointly controlled entities on a line-by-line basis, together with the items in its own accounts that are similar in nature.

The Group recognises its share of the profit or loss deriving from the sale of Group assets to jointly controlled entities in its consolidated annual accounts in the proportion corresponding to other participants. The Group does not recognise its share of the profits or losses of a jointly controlled entity deriving from the purchase by the Group of assets from the jointly controlled entity until the assets are sold to an independent third party. A loss is recognised immediately on a transaction if it reveals a reduction in the net realizable value of current assets or an impairment loss.

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

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 proportional part of the balance sheet and income statement items relating to the joint venture is incorporated into the balance sheet and income statement prepared by the participating company based on its interest in the UTE.

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

2.3. Segment reporting

A business segment is a group of assets and transactions the aim of which is to supply products or services subject to risks and returns which differ from those of other business segments. A geographical segment aims to supply products or services in a specific economic environment subject to risks and returns which differ from those of other segments operating in different economic environments (Note 5).

Transactions between different segments are carried out on an arm's length basis. Segment accounting policies are the same as the policies applied to prepare the consolidated annual accounts.

2.4. Foreign currency transactions

Functional and presentation currency
The items included in the annual accounts of each of the Group companies are measured using the currency of the principal economic environment in which the company operates ("functional currency"). The consolidated annual accounts are presented in euros, which is the parent company's functional and presentation currency.

Transactions and balances
Transactions in foreign currency are translated to the functional currency using the exchange rates in force at the transaction dates. Foreign currency gains and losses resulting from the settlement of transactions and translation at the year- end exchange rates of monetary assets and liabilities denominated in foreign currency, are recognised in the income statement, unless they are deferred in equity as qualified cash flow hedges and qualified net investment hedges.

The gains and losses on exchange are shown on the profit and loss account on the line item "Net losses from foreign currency transactions" under "Financial Expenses".

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

(i) The assets and liabilities on each balance sheet presented are translated at the closing exchange rate at the balance sheet date;
(ii) The revenues and expenses presented in each income statement are translated at the average exchange rates; and
(iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, any exchange differences resulting from the translation of a net investment in foreign entities, and loans and other instruments denominated in a foreign currency designated as hedges of those investments, are taken to equity. When sold, such exchange differences are recognised in the income statement as part of the profit or loss on the sale.

2.5. Property, plant and equipment

Property, plant and equipment are recognised at cost less depreciation and cumulative impairment losses, except for land which is presented net of impairment losses.

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. Other repair and maintenance expenses are charged to the income statement in the year in which they are incurred.

No depreciation is charged on land. The depreciation of other assets is calculated on a straight-line basis based on their estimated useful lives and residual values. The estimated useful lives of each asset category are as follows:

Industrial structures and premises	25	-	50	Years
Plant and machinery	5	-	10	Years
Complex and general installations	12	-	17	Years
Furnishings and office equipment			10	Years
Computer processing equipment			4	Years
Vehicles			7	Years
Other PPE	7	-	10	Years

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

When an asset's carrying amount exceeds its estimated recoverable value, the carrying amount is written down immediately to the recoverable amount.

Gains and losses on the sale of property, plant and equipment are calculated by comparing the revenue obtained with the carrying amount and are recognised on the line item "Other operating expenses" or "other operating income". Own work capitalised is stated at production cost and recognised as income in the income statement.

2.6. Intangible assets

Goodwill

Goodwill is the excess of acquisition cost over the fair value of the Group's shareholding in the identifiable net assets of the subsidiary or associate acquired, at the acquisition date. Goodwill relating to acquisitions of subsidiaries is included in intangible assets. Goodwill is subject annually to tests of impairment and is carried at cost less cumulative impairment losses. Gains and losses on the sale of a company include the carrying amount of goodwill related to the company sold.

Goodwill is assigned to cash generating units (CGUs) in order to test for impairment losses. The recoverable amount of a CGU is the higher of its value in use and its fair value less selling expenses. These calculations use cash flow projections based on financial budgets approved by management that cover a five-year period. Cash flows beyond this five-year period are extrapolated using constant growth rates.

Software

Software licences acquired are capitalised on the basis of the costs incurred in their acquisition and preparation for the use of the specific program. These costs are amortised over the assets' estimated useful lives (4 years).

Expenses relating to software development or maintenance are recognised when incurred. Costs directly related to the production of single identifiable computer programs controlled by the Group and which will probably generate economic benefits in excess of costs for more than one year are recognised under intangible assets. Direct costs include costs relating to employees developing the software and an appropriate percentage of general expenses.

Computer program development costs recognised as assets are amortised over the programs' estimated useful lives (4 years).

Research and development expenses

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

- It is technically possible to complete the production of the intangible asset such that it may be available for use or sale;
- Management intends to complete the intangible asset in question for use or sale;
- The entity has the capacity to use or sell the intangible asset;
- It is possible to demonstrate the manner in which the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset; and
- The outflow of funds attributable to the intangible asset during development may be reliably measured.

Development expenses are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent years. Capitalised costs of a development having a finite useful life are amortised from the start of the product's commercial production on a straight-line basis over the period in which it is expected to generate profits.

Subsidies received for research and development projects are recorded in the income statement using the method applied to research and development expenses recognised in the income statement.

Concessions

Concessions under construction refer to the administrative authorisation 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 is as regards classifying the concession assets as intangible assets valued at the fair value of these assets, this being understood as that which arises of its construction. Once the assets covered by the concession become operational, the concession receipts will be recognised as ordinary revenues, operating expenses will be recognised as an expense for the year and straight-line amortisation will be charged on the intangible assets over the term of the concession. Project returns will be reviewed at each account close to assess whether or not there is any indication of impairment of assets that are not recoverable through the revenues generated.

Ceded assets are amortised over the period of the concession. At 31 December 2008 and 2007, there were no projects in operation.

2.7. Interest Costs

The interest costs incurred in connection with the construction of a qualified asset are capitalised using the period of time needed to complete and prepare the asset for its intended use.

2.8. Impairment of non-finantial assets

Assets with indefinite useful lives and goodwill are not subject to depreciation/amortisation and are tested annually for impairment. The Group did not record any intangible assets with an indefinite useful life in the balance sheet. The Group reviews the assets subject to depreciation at each account close to verify whether or not there are any events or changes in circumstances that indicate that the carrying amount may not be recoverable.

An impairment loss is recognised when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value of an asset, less selling costs, and value in use. Impairment losses assigned to goodwill are not reversed. For the purposes of evaluating impairment losses, assets are grouped into CGUs, i.e. the lowest level at which separate cash flows may be identified. The impairment loss is recognised in the income statement.

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

2.9. Financial assets

The Group classifies investments into the following categories: financial assets at fair value through profit or loss, loans and accounts receivable, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management establishes the classification of investments at the time of their initial recognition and reviews the classification at each reporting date. At 31 December 2008 the Group does not record any held-to-maturity investments.

Acquisitions and disposals of investments are recognised at the trading date, i.e. on the date the Group undertakes to acquire 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 Investments are written off when the rights to receive cash flows from them have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss
This category has two subcategories: financial assets held for trading and financial assets designated as at fair value through profit or loss when initially recognised. A financial asset is classified in this category if it is mainly acquired for sale in the short term or when the asset is so designated by management. Derivatives are also classified 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 as from the balance sheet date. These financial assets are subsequently recorded at their 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 other receivables
Loans and other receivables are non-derivative financial assets subject to fixed or determinable payments that are not listed on an active market. They arise when the Group supplies money, goods or services directly to a debtor and does not intend to trade with the account receivable. They are included in current assets, except for assets maturing after more than 12 months from the balance sheet date, which are classified as non-current assets. This category includes deposits and guarantees furnished to third parties. Loans and accounts receivable 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 as from the balance sheet date. These financial assets are subsequently recorded at their 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 equity. When instruments classified as available for sale are sold or become impaired, the cumulative fair value adjustments are included in the income statement as losses or gains on the instruments in question.

The fair values of listed investments are based on current bid prices. If the market for a financial asset is not active (as in the case of unlisted securities), the Group establishes fair value by using measurement techniques that include the method based on recent transactions between duly informed interested parties relating to other instruments which are substantially identical, and the discounted cash flow method. In the event that neither of the methods mentioned above may be used to estimate fair value, the investments are stated at acquisition cost less any impairment losses.

At each balance sheet date, the Group assesses whether there is objective evidence of impairment losses with respect to a financial asset or group of financial assets. For equity instruments classified as available for sale, impairment is determined on the basis of the existence of a significant or protracted decline bringing the fair value of the instruments to below their cost. Should impairment of available-for-sale financial assets be identified, the cumulative loss in the amount of the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the income statement, is removed 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.

2.10. Inventories

Inventories include the cost of construction investment property held for sale and also the cost of certain materials yet to be allocated to projects. The costs incurred to submit bids are included in inventories 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. Inventories are measured at the lower of cost and net realisable value. Cost is calculated as the acquisition price or direct production cost. The cost of inventories includes design costs, raw materials, direct labour, other direct costs and manufacturing overheads (based on the ordinary operating capacity), excluding interest expense. The net realisable value is the estimated selling price in the ordinary course of business, less applicable variable costs of sales.

2.11. Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less the provision for impairment losses. A provision is recorded for impairment losses on trade receivables where there is objective evidence that the Group will be unable to collect all amounts receivable on the original terms agreed. Where the debtor is in serious financial difficulty, the probability of bankruptcy or financial reorganisation, together with default or delay in payment, are deemed to be indicators of impairment of the receivable. The amount of the provision is the difference between the carrying amount of the asset and the present value of forecast future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.12. Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits at credit institutions, other short-term highly liquid investments with an original maturity of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are classified as borrowings under current liabilities. At 31 December 2008 and 2007, the Company had no bank overdrafts

2.13. Share capital

Share capital is represented entirely by ordinary shares carried in equity.

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

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

2.14. Government grants

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

Government grants obtained to cover costs are deferred and recognised in the income statement over the necessary period to match them to the costs they are intended to cover.

Government grants for the acquisition of property, plant and equipment or intangible assets are included in non-current liabilities as deferred government grants and released to the income statement on a straight-line basis over the estimated useful lives of the assets concerned.

2.15. Suppliers

Suppliers are initially recognised at fair value and subsequently remeasured at amortised cost using the effective interest method.

2.16. Borrowings

Borrowings are recognised initially at fair value, net of the direct transaction costs. Borrowings are subsequently measured at amortised cost. Any differences between the funds obtained (net of the necessary costs incurred in their obtainment) and the repayment value are recognised in the income statement over the life of the debt using the effective interest method.

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

Interest and other expenses incurred to obtain borrowings are taken to the income statement for the year on an accrual basis.

2.17. Income taxes

The tax expense for the year includes current and deferred taxes. The tax is recognised on the income statement, with the exception of the items recognised directly in net equity. In this case, the tax is also recognised in net equity.

The current tax charge is calculated based on tax laws that have already been approved or are about to be approved as of the date of the balance sheet in the countries where the group's subsidiaries and associate enterprises which generate taxable income do business.

Deferred taxes are calculated using the liability method, based on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated annual accounts. However, if the deferred taxes arise from the initial recognition of a liability or an asset on a transaction, other than a business combination, that at the transaction date has no effect on the reported or taxable profit or loss, the deferred taxes are not recognised. Deferred tax is determined using tax rates approved or about to be approved at the balance sheet date that are expected to be applied when the corresponding deferred tax asset or deferred tax liability is realised or settled.

Deferred tax assets are recognised insofar as future taxable profits will probably arise against which to offset the temporary differences.

2.18. Employee benefits

Pension and retirement obligations
Some Group companies record obligations with employees in the form of defined contribution pension plans and other defined benefit retirement obligations.

A defined contribution plan is a pension plan under which the Group makes fixed contributions to an independent entity and will not have any legal or implicit obligation to make additional contributions if the fund does not hold sufficient assets to pay all employees the benefits for current year and prior year services. 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 or remuneration.

The liability recognised in the balance sheet with respect to defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the obligation is determined by discounting future cash flows estimated at interest rates on applied to government bonds denominated in the currency in which the benefits will be paid with maturities similar to those of the relevant obligations.

Actuarial gains and losses that arise from adjustments applied based on experience and changes in the actuarial assumptions are charged and credited, as appropriate, to the income statement for each year.

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

Defined contributions made to plans are recognised as employee benefits when they accrue and are recorded as an expense for the year.

Other non-current remuneration obligations
Some Group companies record 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 employment period of the employees using an accounting method similar to the one applied to defined benefit pension plans. Actuarial gains and losses that arise from adjustments applied based on experience and on changes in actuarial assumptions are charged and credited to the income statement for each year, as appropriate. These obligations are valued on an annual basis by qualified independent actuaries.

Severance indemnities
Severance indemnities are paid to employees as a result of the Company's decision to terminate employment contracts before the normal retirement age or when employees voluntarily agree to resign in return for such benefits. The Group recognises these benefits when it has demonstrably undertaken to make present workers redundant in accordance with a detailed formal plan which cannot be withdrawn or to provide severance indemnities as a result of an offer to encourage employees to take up voluntary redundancy. Benefits which will not to be paid within 12 months of the balance sheet date are discounted to their present value.

2.19. Provisions

The Group recognises provisions when it has a present legal or implicit obligation as a result of past events, it is more likely than not that resources must be applied to settle the obligation and the amount may be reliably estimated. Provisions for future operating losses are not recognised.

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 value of money over time, if the effect is significant.

2.20. Revenue recognition

Ordinary revenues include a fair value of purchase considerations received or receivable for the sale of goods and services in the ordinary course of the Group's business. Ordinary revenue is recognised net of value added tax, returns, rebates and discounts, and after eliminating intra-Group sales. The Group recognises revenues when the amount may be reliably calculated, the future economic benefits are likely to flow to the company and the specific conditions applicable to each of the Group's activities are fulfilled, as described below. In relation to inventories, the Group recognises sales and results when the ownership is turned over to the buyer. The amount of revenues may 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 the type of customer and transaction, as well as the specific terms of each contract.

Administration contracts

Sales of services refer to administration contracts and are recognised in the financial year in which the services are rendered based on a percentage-of-completion basis with respect to the service actually provided. The price payable by the final customer consists of the direct costs incurred, to which a fixed margin is applied for indirect costs and company profit.

Engineering contracts

When the results of a contract may not be reliably estimated, the relevant revenues are recognised only up to the limit of the costs incurred under the contract that are likely to be recovered.

When the results of a contract may be reliably estimated and it is likely to be profitable, revenues are recognised over the term of the contract. The revenue recognition method for turnkey engineering contracts varies based on the estimated results. When the costs are likely to exceed the total revenues obtained, the expected loss is immediately recognised as an expense.

The Group uses the percentage-of-completion method to calculate the adequate amount to be recognised in a given period. Percentage-of-completion is calculated by reference to the contractual costs incurred at the balance sheet date, expressed as a percentage of the total estimated cost of each contract. Costs incurred during the year with respect to future contractual activities are excluded from the contractual costs used to determine percentage of completion.

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

The Group presents as a receivable the gross amount owed by customers for all work performed under current contracts for which the costs incurred plus recognised profits (less recognised losses) exceed the amount of interim billings. Interim billings not yet paid by customers and withholdings are included in Trade and other receivables.

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

Costs incurred to make bids for construction contracts in Spain and abroad are expensed in the income statement when incurred, where it is not likely or certain at that date that the contract will be awarded to the Group. The cost of submitting bids is included in the cost of the contract when it is likely or certain that the contract will be obtained, or when it is known that these costs will be reimbursed or included in the revenues originating from the contract.

Income from dividends

Income from dividends are recognised when the right to be paid is established.

Interest income

Interest income is recognised using the effective interest rate method.

2.21. Derivative financial instruments and hedge transactions

Derivative financial instruments are initially recognised at fair value at contract inception and are subsequently remeasured at their fair value. The recognition of gains or losses arising from changes in the fair value in each period depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the item hedged. The Group designates certain derivatives as hedges of a specific risk associated with a highly probable forecast transaction (cash flow hedge).

Note 10 includes information on the fair value of the derivatives employed in hedge transactions. The consolidated statement of changes in equity shows movements in the hedging reserve in equity.

Derivatives not qualifying for hedge accounting

In the case of financial 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 financial result (revenue or expense) in the income statement.

Cash flow hedges

At hedge inception, the Group documents the relationship between hedging instruments and the hedged items, in addition to its risk management objective and the strategy to be employed in each hedge transaction. The Group also documents its evaluation, both at hedge inception on an ongoing basis, of whether or not the derivatives used in the hedge transaction are highly effective when offsetting changes in cash flows from the hedged assets.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognised in equity in a specific reserve. The gain or loss relating to the ineffective portion is recognised immediately in financial result in the income statement.

Amounts accumulated in equity are transferred to the income statement in the year in which the hedged item affects results. However, when the forecast transaction which is hedged results in the recognition of a non-financial asset or liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial cost measurement of the asset or liability involved.

When the hedging instrument matures or is sold or when a hedge transaction ceases to comply with the requirements for the application of hedge accounting, the gains or losses accumulated in equity to that date will remain in equity and will be taken to the income statement when the forecast transaction is finally recognised in the income statement. However, if the transaction is no longer likely to take place, the gains or losses accumulated in equity are immediately taken to the income statement.

Fair value hedges

Changes in the fair value of designated derivatives that qualify as fair value hedges are recognised in the income statement, together with any change in the fair value of the hedged asset or liability. The profit or loss relative to the effective part of interest rate swaps de that cover external resources at a fixed rate are recognised on the income statement on the line entitled “Net losses on transactions in foreign currencies” under “Financial Expenses”. The profit or loss corresponding to the non-cash portion is recognised on the income statement under “Net profit (loss) on the fair value of financial instruments at fair value with changes in income and others” under the “Financial Income” caption.

2.22. Leases

Leases on property, plant and equipment in which the Group is the lessee and obtains substantially all the risks and rewards of ownership of the assets are classed as finance leases. Finance leases are recognised at the start of the contract at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The payment obligation derived from the lease, net of finance charges, is recognised in non-current payables, except for the portion falling due within 12 months. The interest element of the finance charges is taken to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. PPE acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Where the Group is the lessee, payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight- line basis over the period of the lease.

2.23. Dividend payment

The payment of dividends to the Company's shareholders is recognised as a liability in the Group's consolidated annual accounts in the year in which the dividends are approved by the Company's shareholders.

2.24. Environment

Given the activity in which the Group companies are involved, they have no environmental liabilities, expenses, assets, provisions or contingencies that could be significant with respect to its equity, financial situation and results. For this reason, no specific breakdowns are provided in these notes to the annual accounts regarding environmental information.

3. Financial risk management

3.1. Financial risk factors

a) Market risk

a.1) Foreign exchange risk

The Group operates in the international area and therefore it is exposed to foreign exchange risks on transactions denominated in foreign currency, particularly the US dollar (USD) and, to a lesser extent, currencies tied to the USD. There are residual minor risks concerning suppliers in other currencies (principally in Japanese yen or sterling). Foreign exchange risk derives from future transactions, recognised assets and liabilities and net investments in foreign operations.

To control 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, negotiated through 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. Group Treasury is responsible for managing the net position in each foreign currency using external foreign exchange forward contracts. In addition, the Group tries to cover itself against the exchange rate risk by reaching "multicurrency" agreements with the customers, separating the selling price of the various currencies from the foreseen expenses and maintaining the foreseen margin in euros.

The Group's risk management policy consists of hedging the majority of highly certain forecast transactions (mainly net cost of sales in other currencies than euros) in each of the main currencies and for all the forecast project months. In each new project covered by a foreign exchange hedge, the percentage of the risk to be hedged changes with respect to projected sales in each of the main currencies. These hedges are classified as highly probable forecast transactions for hedge accounting purposes.

Because of the Group's type of operations, it is very common to contract operations with customers in US dollars, while it is common that the corresponding costs are in various currencies, including principally US dollars. If on 31 December 2008, the euros had devalued/fallen in value by 10% compared to the US dollar and the rest of the variables remained constant, the consolidated result for the year before taxes would have been less than / more than 20.288 / 24.990 thousand Euros (2007: 6,513 thousand euros) higher/lower principally as a result of the gains/losses generated through the revaluation/devaluation of the positions held in US dollars.

Equity, if the euro had devalued/increased by 10% against the US dollar, would have been lower/higher by 7.685 / 9.586 thousand euros (2007: 11.525 / 13.070 thousand euros); these effects on equity were estimated taking into account the variations in the results mentioned earlier, and the estimated variations in the hedging financial derivatives affecting the equity reserve (all without taking the tax effect into accounts).

Additionally, the Group has various investments in foreign operations, in which the equity is exposed to foreign currency exchange rate risks. In general it is the Group's policy that operations in each country are financed by debts taken in the functional currency of each country, so that the risk only affects the part corresponding to capital investments. The following chart shows the balances of the principal exposures in foreign currency, as a result of the capital investments made:

	2008	2007
US dollars	9.344	3.322
Omani rials	356	666
Saudi rials	17.855	17.855
Mexican Pesos	20.973	1
Others	108	-
Total	**48.636**	**21.844**

a.2) Price risk

The Group is not exposed to price risk with respect to equity instruments as no significant investments are held by the Group. The exposure to risk is limited due to the investments held by the Group and classified on the consolidated balance sheet at fair value with changes to income are not relevant (see Note 14). The Group is partially exposed to commodity price risks, basically metals and oil, to the extent that they affect the price of equipment and manufactured materials used in construction projects. In general these impacts are effectively passed on in selling prices by all similar contractors that operate in the same sector. The Group reduces and mitigates price risks with the policies established under the instructions issued 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 models that allow a part of the price to be applied to cover possible cost departures.

a.3) Cash flow and fair value interest rate risks

The Group generally assures that the projects in which it participates are self-financing, establishing invoicing and collections targets with the customers that cover the payment period committed to with the suppliers. Because of this the net Treasury position (Borrowings less Cash and cash equivalents) is positive by a significant amount. As a result a significant exchange rate risk can hardly be considered.

The following table shows the exposure to variable interest rate at the close of each year:

	2008			2007		
	Referenced to Euribor	Other references	Total	Referenced to Euribor	Other references	Total
Borrowings	(23.139)	(39.978)	(63.117)	(25.201)	(32.823)	(58.024)
Cash and cash equivalents that incur interest	412.178	192.161	604.339	358.047	104.000	462.047
Net position	**389.039**	**152.183**	**541.222**	**332.846**	**71.177**	**404.023**

b) Credit risk

Credit risk management is performed by the Group taking into account the following financial asset grouping:

- Assets related to derivatives financial instruments (see Note 10) and balances for various concepts including Cash and cash equivalents (see Note 15).
- Trade and other receivables related balances (see Note 11).

Financial instrument derivatives and operations with financial entities included as cash and cash equivalents are contracted with highly prestigious financial entities with high credit ratings. Investments in State Treasury Bonds and "repo" operations in these assets are also related to Governments with high credit ratings.

In relation to customer balances and accounts receivable it should be noted that, due to the nature of the business, there is a high concentration based on the most important of the Group's projects. The counterparties are generally state oil companies or multinationals, along with major Spanish groups dedicated to the energy business.

Our principal customers represent some 79% of the total of the Trade receivables account (included in Trade and other receivables) at 31 December 2008 (2007: 73%), and are related to operations with the type of entities mentioned earlier, so the Group considers the credit risk is well controlled. In addition to the analysis performed before contracting, a follow-up is made regularly of the global position of Trade and other receivables, and also an individual analysis of the most important exposures (including of the type of entities mentioned earlier).

c) Liquidity risk

The prudent management of liquidity risk entails maintaining sufficient cash and negotiable instruments, available financing in the form of adequate credit facilities and the capacity to liquidate market positions. Given the dynamic nature of the underlying businesses, the Group's Treasury Department seeks to ensure flexible financing in the form of available credit facilities.

Management performs a follow-up of the provisions of liquidity reserves of the Group on the basis of the expected cash flows. Because of the objective of self-financing projects mentioned earlier, the net treasury positions are highly positive. Additionally, the Group has credit lines that offer additional support to the liquidity position. Because of this it is believed the liquidity risk of the Group is low. The following is a breakdown of the information referring to liquidity:

	2008	2007
Borrowings (Note 21)	(63.117)	(58.024)
Cash and cash equivalents (Note 15)	604.339	462.047
Net treasury position	541.222	404.023
Unused credit lines (Note 21)	143.007	166.237
Total liquidity reserves	**684.229**	**570.260**

The table shown below presents an analysis of the Group's financial liabilities that will be settled by group netted by due date, in line with the pending terms on the balance sheet date until the maturity date stipulated in the contract. The amounts shown in the table correspond to the cash flows stipulated in the contract without discounting. The balances payable within 12 months are equivalent to the amounts in the books, since the discount effect is insignificant.

	Less than one year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
As at 31 December 2008				
Borrowings	46.947	1.309	3.334	11.527
Derivative financial instruments	20.069	14.810	-	-
Trade payables	1.809.450	1.402	250	-
Non-accrued interest payable	1.485	1.279	1.888	2.523
Total	**1.877.951**	**18.800**	**5.472**	**14.050**
As at 31 December 2007				
Borrowings	46.105	5.333	-	6.586
Derivative financial instruments	-	35	-	-
Trade payables	1.162.325	2.015	-	-
Non-accrued interest payable	2.626	597	1.008	1.344
Total	**1.211.056**	**7.980**	**1.008**	**7.930**

Group Treasury performs liquidity management in a joint manner and centrally. This includes both treasury management of the Group's recurring operations (analysis and monitoring of due dates and credit collection, renewal and contracting credit policies, management of available credit lines, temporary placement of treasury surpluses) and also management of the funds needed to cover planned investments.

3.2. Risk capital management

The Group's objectives in capital management are based upon guaranteeing trading operations and offering our customers and potential customers sufficient own funds to guarantee our capacity to handle the projects. In addition to achieving a yield for the shareholders, along with profits for other net equity instrument holders, who maintain an optimum capital structure, reducing the cost of this.

To be able to maintain and adjust the capital structure, the Group can adjust the amount of dividend payable to the shareholders, reimburse capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital in line with the leverage index. This index is calculated as debt divided by net equity. Debt is calculated as the total of external resources. Capital is calculated as equity, as is shown in the consolidated accounts.

	2008	2007
Borrowings – I (Note 21)	(63.117)	(58.024)
Net treasury position - II	541.222	404.023
Net Equity - III	225.610	231.857
% I / III	27,98%	25,02 %
% II / III (*)	239,89%	174,25 %

(*) The increase in the index is due to the increase in the net cash position and, to a lesser extent, to the decrease in net equity as a consequence of the acquisition of treasury stock.

3.3. Fair Value

The fair value is the amount at which a financial instrument is exchanged between interested parties and duly reported in a transaction under normal market conditions.

The fair value of the financial instruments sold on active markets is based on the market sale price at the end of the fiscal year.

The fair value of the financial instruments not traded on an active market is determined using valuation techniques. For the most part, the Group uses valuation techniques based on information from recent transactions carried out under market conditions for similar instruments and estimated discounted cash flows. To determine the fair value of the rest of the financial instruments, other techniques are used such as estimated discounted cash flows.

It is assumed that the amount on the books, less the provision for the impaired value of accounts payable and receivable, is close to fair value. The fair value of the financial liabilities for financial reporting purposes is estimated by discounting future cash flows at the market interest rate which can be obtained by the Group for similar financial instruments.

4. Accounting estimates and judgements

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

Estimates and judgements are assessed continuously and are based on historical experience and other factors, including expectations of future events which may be considered reasonable in the circumstances.

Accounting estimates are considered to be significant if the nature of the estimates and judgments is material and if their impact on the Group's financial position or operating returns is material. The main estimates applied by Group management are as follows:

Goodwill impairment test
The Group tests goodwill annually for impairment, in accordance with the accounting policy described in Note 2.8. The amounts recoverable by the cash generating units have been determined based on calculations of value in use. These calculations require the use of estimates.

Income tax and deferred tax assets
The calculation of income tax requires the interpretation of tax legislation applicable to the Group companies. There are also several factors related mainly, but not exclusively, to changes in tax laws and changes in the interpretation of tax laws already in force that require the use of estimates by Group management.

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 offset.

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

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

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

Provisions
Provisions are recognised when it is probable that a present obligation, resulting from past events, will require the application of resources and the amount of the obligation may be reliably estimated. Significant estimates are required to fulfil the requirements of accounting legislation. Group management makes estimates, evaluating all relevant information and events, of the probability of a contingency and the amount of the liability to be settled in the future.

Revenue recognition
The revenue recognition method applied by the Group is based on the percentage of completion. Percentage of completion is calculated as costs incurred under a contract as a percentage of the total estimated costs to be incurred to perform the contract. This revenue recognition method is applied only when the result of the contract may be reliably estimated and it is likely that the contract will generate profits. If the result of the contract may not be reliably estimated, revenues are recognised to the extent that costs are recovered. When it is likely that the costs of a contract will exceed the revenues, the loss is immediately recognised as an expense. When applying the percentage-of-completion method, the Group makes significant estimates relating to the total costs necessary to perform the contract. These estimates are reviewed and assessed regularly in order to verify whether or not they generated a loss and if it is possible to continue to apply the percentage-of-completion method, or to re-estimate the expected margin from the project. During the project,

the Group also estimates probable contingencies related to the increase in the total estimated cost and adjusts revenue recognition accordingly.

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

Warranty claims
The Group generally offers 24- or 36-month warranties on its work and services. Management estimates the relevant provision for future warranty claims based on past information regarding such claims, as well as recent trends that may suggest that past information regarding costs may differ from future claims.

These estimates are based on the best information available and the circumstances at 31 December 2008 and 2007 and it is not expected that there will be any relevant changes to these estimates.

5. Segment reporting

	Oil and Gas		Energy		Other		Unallocated		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Profit by segment										
Ordinary revenues	2.044.682	1.647.095	326.419	252.584	107.417	105.497	-	-	**2.478.518**	**2.005.176**
Operating profit	164.637	127.907	28.486	14.443	5.362	7.420	(56.185)	(41.784)	**142.300**	**107.986**
Net financial result (Note 28)									**4.710**	**6.041**
Share in profit/loss of associates	369	437	203	234	(107)	(100)	-	-	**465**	**571**
Profit before taxes									**147.475**	**114.598**
Income tax									**7.191**	**6.724**
Profit for the year									**140.284**	**107.874**
Assets and liabilities by segment										
Assets	1.652.363	1.132.386	212.730	128.445	178.086	181.958	151.971	67.422	**2.195.150**	**1.510.211**
Investments in associates	3.010	2.929	5.823	2.931	2.696	996	-	-	**11.529**	**6.856**
Total assets	1.655.373	1.135.315	218.553	131.376	180.782	182.954	151.971	67.422	**2.206.679**	**1.517.067**
Liabilities	1.518.848	1.056.227	232.221	109.387	51.826	59.421	178.174	60.175	**1.981.069**	**1.285.210**
Investments in non-current assets (Notes 6 and 7)	6.103	-	38	8	6.836	12.224	8.134	4.712	**21.111**	**16.944**
Other information by segment										
Depreciation of property, plant and equipment (Note 6)	-	-	-	-	-	-	3.574	3.852	**3.574**	**3.852**
Amortisation of intangible assets (Note 7)	-	-	-	-	-	-	2.447	1.463	**2.447**	**1.463**
Impairment of trade receivables (Note 11)	-	-	-	-	-	-	660	420	**660**	**420**

Primary reporting format: business segments
At 31 December 2008, the Group is organized into the following business segments: Oil and Gas, Energy and Other. Although the Group's core business is formed by engineering and construction services, the above-mentioned segment reporting format is presented on the understanding that the risks and rewards of its services and the specialisation required to complete the projects, among other matters, make the business segment distinction necessary in order to provide more insight into the organisation.

The Oil and Gas segment focuses on engineering services, supply and construction services relating to oil and chemicals processing and production operations, and activities relating to the entire natural gas production and extraction value chain, i.e. production, processing, storage and transport. Activities in the refining sector range from the construction of refineries to the refurbishment and expansion of existing refining plants. Units designed and built include basic refining plants, 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 particularly specialized in regasification and transport facilities.

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

The segment Other encompasses the activities of the business area Infrastructures and Industries and, as regards assets, the activities of the Finance business, none of which may be identified as a separate reporting segment.

The unallocated operating profit includes the Group's structural costs.

No sales were made between the Group's business segments in the years reported.

Secondary reporting format: geographical segments
The Group's business segments operate mainly in Spain, Middle East, America, Asia and the Mediterranean, although they are managed on a worldwide basis. The following should be noted: a) the geographical area America relates mainly to operations in Chile and Mexico; b) the Asia area encompasses operations in China and Vietnam; and c) the Mediterranean area basically includes operations in Morocco, Algeria, Egypt and Turkey, among other countries.

Sales	**2008**	**2007**
Spain	754.593	361.965
Middle East	1.231.880	1.143.989
America	197.275	250.295
Asia	84.286	150.144
Mediterranean	210.484	98.783
	2.478.518	**2.005.176**

Sales are assigned on the basis of the country in which the customer is located.

	Assets		Non-current investments	
	2008	2007	2008	2007
Spain	706.204	411.722	9.419	10.551
Middle East	808.952	677.677	1.659	-
America	288.587	249.290	592	80
Asia	192.708	40.354	-	-
Mediterranean	144.380	111.608	28	-
Total	**2.140.831**	**1.490.651**	**11.698**	**10.631**
Associates	10.885	6.856	-	-
Not assigned	54.963	19.560	9.413	6.313
	2.206.679	**1.517.067**	**21.111**	**16.944**

All the assets are assigned on the basis of their location.

6. Property, plant and equipment

Set out below is an analysis of Property, plant and equipment showing movements during the year:

Cost	Land and buildings	Plant and machinery	Furniture and equipment	Assets under construc.	Other assets	Total
Balance at 1 January 2007	**995**	**11.438**	**18.640**	**2.538**	**3.329**	**36.940**
Increases	-	3.030	3.397	157	678	7.262
Decreases	(33)	-	-	-	-	(33)
Other movements	-	-	-	-	-	-
Balance at 31 December 2007	**962**	**14.468**	**22.037**	**2.695**	**4.007**	**44.169**
Increases	426	5.313	5.448	48	283	11.518
Decreases		-	-	-	-	-
Other movements	-	-	-	-	-	-
Balance at 31 December 2008	**1.388**	**19.781**	**27.485**	**2.743**	**4.290**	**55.687**

Accumulated depreciation	Land and buildings	Plant and machinery	Furniture and equipment	Assets under construc.	Other assets	Total
Balance at 1 January 2007	**408**	**4.456**	**10.530**	**-**	**1.974**	**17.368**
Increases	11	1.165	2.637	-	39	3.852
Decreases	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Balance at 31 December 2007	**419**	**5.621**	**13.167**	**-**	**2.013**	**21.220**
Increases	37	1.640	1.790	-	107	3.574
Decreases	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Balance at 31 December 2008	**456**	**7.261**	**14.957**	**-**	**2.120**	**24.794**
Net balance at 1 January 2007	**587**	**6.982**	**8.110**	**2.538**	**1.355**	**19.572**
Net balance at 31 December 2007	**543**	**8.847**	**8.870**	**2.695**	**1.994**	**22.949**
Net balance at 31 December 2008	**932**	**12.520**	**12.528**	**2.743**	**2.170**	**30.893**

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

The balance in Assets under construction relates to the engineering costs arising from the design and construction of a battery and fluorescent tube recycling plant by a group company. During the year 2007 the project was interrupted for reasons linked to the adequacy of the land on which the recycling plant was to be built. The Group believes that not occurs any significant impairment of assets under construction since it considers that the engineering cost is recoverable based on the negotiations held with other interested entities in the project.

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

	2008	2007
Capitalised finance lease cost	3.933	3.513
Accumulated depreciation	(2.069)	(1.903)
Net carrying amount	1.864	1.610

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 expiration of the financial lease liabilities is detailed in Note 20.

At 31 December 2008, the Group owns investments in PPE located abroad for a cost of K€8.069 (2007: K€3.591) and accumulated depreciation of K€5.049 (2007: K€2.243).

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

7. Goodwill and other intangible assets

Set out below is an analysis of Intangible assets showing movements during the year:

Cost	Developm. expenses	Assets under construc.	Other fixed assets	Subtotal	Goodwill	Total
Balance at 1 January 2007	**8.551**	**10.293**	**8.691**	**27.535**	**1.242**	**28.777**
Increases	-	8.093	1.589	9.682	-	9.682
Decreases	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Balance at 31 December 2007	**8.551**	**18.386**	**10.280**	**37.217**	**1.242**	**38.459**
Increases	-	6.578	3.015	9.593	-	9.593
Decreases	(8.551)	-	(3.532)	(12.083)	-	(12.083)
Other movements	-	-	-	-	-	-
Balance at 31 December 2008	**-**	**24.964**	**9.763**	**34.727**	**1.242**	**35.969**

Accumulated amortisation	Developm. expenses	Assets under construc.	Other fixed assets	Subtotal	Goodwill	Total
Balance at 1 January 2007	**8.307**	**-**	**5.412**	**13.719**	**-**	**13.719**
Increases	198	-	1.265	1.463	-	1.463
Decreases	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Balance at 31 December 2007	**8.505**	**-**	**6.677**	**15.182**	**-**	**15.182**
Increases	-	-	2.447	2.447	-	2.447
Decreases	(8.505)	-	(3.517)	(12.022)	-	(12.022)
Other movements	-	-	-	-	-	-
Balance at 31 December 2008	**-**	**-**	**5.607**	**5.607**	**-**	**5.607**
Net balance at 1 January 2007	**244**	**10.293**	**3.279**	**13.816**	**1.242**	**15.058**
Net balance at 31 December 2007	**46**	**18.386**	**3.603**	**22.035**	**1.242**	**23.277**
Net balance at 31 December 2008	**-**	**24.964**	**4.156**	**29.120**	**1.242**	**30.362**

Capitalised development expenses at 31 December 2007 referred entirely to the cost of projects relating to the zinc technology that has been used to perform Group contracts or has been sold to customers.

During the year, the cost of research and development charged to the income statement totalled K€591, as compared with K€764 in 2007

The item Assets under construction relates to the construction cost of certain assets (car parks, sports facilities and other) for which the Group has obtained the operating concession for a specified period. At the end of the concession period, the asset will revert in full to the granting authority. The Group amortises the capitalised asset during the term of the concession. At 31 December 2008, the concessions were not operational. The concession terms once operational are between 30 and 75 years.

The item Computer software records the ownership and user rights for computer software acquired from third parties. The balance in Computer software does not include amounts linked to the in-house development of computer applications.

In 2008, the Group capitalised financial expenses arising from bank financing obtained specifically for the construction of concession assets. These financial expenses totalled 1.472 thousand euro (2007: 234 thousand euro).

Goodwill impairment testing
Goodwill is assigned to the cash generating unit (CGU) identified as Eurocontrol, S.A., a Group company in which an indirect 80% interest is held.

The cash generating unit identified pertains to the business segment referred to as Other in Note 5 and its operations are located in Spain.

Impairment tests were performed at 31 December 2007 and 31 December 2008 and no impairment losses were recognised.

The recoverable amount of the CGU has been determined on the basis of value-in-use calculations. Cash flow projections based on financial budgets approved by Management covering a five-year period and applying a 0% growth rate have been used. This growth rate is estimated on growth forecasts based on current plans and the market situation. The final value of the CGU has been determined using the constant growth rate mentioned above.

A discount rate of 9.02% has been applied (2007: 9,28%)

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

Sensitivity analyses have been performed on the key growth and discount rate assumptions used. Assuming no growth of any kind, the cash-generating unit would not undergo any impairment at a 10% discount rate.

8. Investments in associates

	2008	2007
Opening balance	**6.856**	**6.044**
Additions	4.912	561
Disposals	(704)	(320)
Share in profits	465	571
Closing balance	**11.529**	**6.856**

Investments in associates at 31 December 2008 include goodwill totalling K€900 (2007: K€900). During the year there have been no events or circumstances that could indicate a possible impairment of goodwill and no losses in this respect have been recorded. The increases during the year correspond to an increase in stakes held in the companies Ibérica del Espacio, S.A. and Green Fuel Corporación, S.A. (see Note 1).

The date of presentation of the financial statements of all the associates coincides with the presentation date of the parent company's financial statements.

The Group's shareholdings in its main associates, none of which are listed on a stock market, are as follows:

Name	Country of origin	Assets	Liabilities	% shareholding
2007				
Empresarios Agrupados, A.I.E.	Spain	5.982	5.232	42,48%
Empresarios Agrupados Internacional, S.A.	Spain	16.940	12.493	42,48%
Layar Castilla, S.A.	Spain	3.315	522	25,39%
Ibérica del Espacio, S.A.	Spain	4.522	3.359	20,71%
Productora de Diesel ,S.A.	Chile	67.673	60.138	27,50%
Green Fuel Aragón, S.A	Spain	2.038	89	20,84%
Green Fuel Internacional, S.A.	Spain	1.645	12	26,00%
Green Fuel Corporación, S.A.	Spain	2.259	1.123	20,93%
2008				
Empresarios Agrupados, A.I.E.	Spain	4.292	3.522	42,48%
Empresarios Agrupados Internacional, S.A.	Spain	19.739	14.193	42,48%
Layar Castilla, S.A.	Spain	3.206	538	25,39%
Ibérica del Espacio, S.A.	Spain	6.839	3.956	45,73%
Productora de Diesel ,S.A.	Chile	67.186	57.824	27,50%
Green Fuel Corporación, S.A.	Spain	52.424	39.494	25,07%

Name	Country of origin	Revenues	Profit /loss	% shareholding
2007				
Empresarios Agrupados, A.I.E.	Spain	17.664	-	42,48%
Empresarios Agrupados Internacional, S.A.	Spain	24.008	550	42,48%
Layar Castilla, S.A.	Spain	3.892	(412)	20,71%
Ibérica del Espacio, S.A.	Spain	7.198	1.628	27,50%
Productora de Diesel ,S.A.	Chile	924	41	20,93%
Green Fuel Aragón, S.A	Spain	56	(142)	20,84%
Green Fuel Internacional, S.A.	Spain	19	(470)	26,00%
Green Fuel Corporación, S.A.	Spain	368	(93)	25,39%
2008				
Empresarios Agrupados, A.I.E.	Spain	17.664	-	42,48%
Empresarios Agrupados Internacional, S.A.	Spain	29.181	1.095	42,48%
Layar Castilla, S.A.	Spain	735	(124)	25,39%
Ibérica del Espacio, S.A.	Spain	4.642	(188)	45,73%
Productora de Diesel ,S.A.	Chile	7.221	1.379	27,50%
Green Fuel Corporación, S.A.	Spain	772	(1.544)	25,07%

9. Available-for-sale financial assets

Set out below are movements in this caption:

At 1 January 2007	**2.113**
Additions	1.608
Disposals	(350)
At 31 December 2007	**3.371**
Additions	2.172
Disposals	(560)
At 31 December 2008	4.983
Less: Non-current portion	-
Current portion	**4.983**

The balance in available-for-sale financial assets consists mainly of the investment of K€4.454 in Energía Concon, S.A. (in which the Group has a 17% interest). In 2008, additional investments of K€ 2.135 were made. The investment is carried at fair value as the transaction involved independent parties and was completed close to the balance sheet date. The rest of the 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 significant to the Group and as valuation methods cannot be applied, the investments are presented at acquisition cost.

In 2008 and 2007 no provisions were made for impairment losses affecting available-for-sale financial assets.

10. Derivative financial instruments

The balances relating to derivative financial instruments at year-end 2008 and 2007 are as follows:

	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forwards – cash flow hedges	10.643	22.679	17.564	35
Foreign exchange forwards – fair value	631	11.952	-	-
Foreign exchange forwards – held for trading	-	248	-	-
Total	**11.274**	**34.879**	**17.564**	**35**
Non current portion	**6.863**	**14.810**	**797**	**35**
Current portion	**4.411**	**20.069**	**16.767**	**-**

Set out below is a breakdown of maturity dates for the contracts in force at 31 December 2008 and 2007 are as follows:

	2008	2009	2010	2011	Total fair value
Total 2008 assets	-	4.411	6.863	-	**11.274**
Total 2008 liabilities	-	20.069	14.810	-	**34.879**
Total 2007 assets	16.767	797	-	-	**17.564**
Total 2007 liabilities	-	35	-	-	**35**

The notional principal of foreign exchange forward contracts, mainly hedging the sale of US dollars against the purchase of euros (net of US dollar purchases against euro sales) outstanding at 31 December 2008 totalled was KUSD390.979, KYEN10.708.163 and KRUB2.506.000 (2007: KUSD287.678).
It is expected that future, highly probable, hedged transactions denominated in foreign currency will take place.

Gains and losses cumulative in equity net of taxes due to foreign exchange forward contracts at 31 December 2008 totalled K€(9.274) (2007: K€19.032) and are recognised in the income statement in the period or periods in which the hedged transaction affects the income statement. This normally occurs within twelve months of the balance sheet date .

The non-cash portion recognised on the income statement originating from foreign currency hedges totalled 2,453 thousand euro (2007: 0 thousand euro) (see financial results in Note 28).

11. Trade and other receivables

Set out below is an analysis of this caption at year-end 2008 and 2007:

	2008	2007
Trade receivables	1.373.259	855.625
Less: Provision for impairment of receivables	(4.043)	(4.288)
Trade receivables – Net	1.369.216	851.337
Other accounts receivable	10.093	12.942
Prepayments	12.871	21.166
Other items	30.635	26.431
Total	**1.422.815**	**911.876**

The Trade receivables account includes K€848.551 (2007: K€533.415) relating to work executed pending certification, which is calculated as described in Note 2.20.

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

The Group has recognised a loss of K€660 due to the impairment of its trade receivables during the year ended 31 December 2008 (2007: K€420). Movements in the provision for impairment of trade receivables are as follows:

	2008	2007
Opening balance	**4.288**	**4.087**
Appropriations for the year	660	420
Applications	(905)	(219)
Closing balance	**4.043**	**4.288**

The balance of trade accounts due and payable but not impaired at 31 December 2008 was K€91.193 (2007: K€75.788), most of which referred to accounts falling due within 6 months.

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

	2008	2007
Euro	229.177	220.179
USD	289.195	26.209
Other currencies	6.336	75.822
Subtotal	524.708	322.210
Work executed pending certification	848.551	533.415
Total	**1.373.259**	**855.625**

The total amount of the costs incurred and profits recognised (less recognised losses) for all current contracts at the balance sheet date was K€5.632.919 (2007: K€3.828.285) and K€544.120 (2007: K€364.467), respectively.

12. Inventories

A breakdown of inventory balances is as follows:

	2008	2007
Current construction projects	5.815	6.770
Bid presentation costs	6.841	5.573
Materials	1.014	4.006
	13.670	**16.349**

The item Current construction projects records the cost of developing 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 have a realisation period of over 12 months.

13. Receivables and other assets

	2008	2007
Non-current receivables and other assets		
Loans to employees	556	592
Deposits and guarantees	3.362	2.555
	3.918	**3.147**
Current receivables and other assets		
Loans to partners in UTEs and joint ventures	11.552	7.695
Interest	116	398
Short-term guarantee deposits	522	409
Short-term deposits	12	73
Others	-	3.742
	12.202	**12.317**

Others includes expenses paid in advance (insurance premiums, licences, maintenance costs, and others)

14. Financial assets at fair value through profit or loss

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

	2008	2007
Opening balance	**17.736**	**21.556**
Net additions and (disposals)	16.395	(3.820)
Closing balance	**34.131**	**17.736**

Listed securities:		
- Investments in short-term fixed income securities	22.695	-
- Investments in short-term equity securities	11.436	17.736
	34.131	**17.736**

All financial assets are considered to be held for trading.

Financial assets at fair value through profit and loss are presented in the section on operating activities as part of changes in working capital in the consolidated cash flow statement.

Changes in the fair value of other financial assets at fair value through profit and loss are recorded under net financial results in the income statement. (See Note 28)

Financial assets at fair value through profit and loss represent investments in listed equities and short term fixed income funds and their fair value at 31 December 2008 has been determined by reference to the year-end market price.

15. Cash and cash equivalents

	2008	2007
Cash and banks	164.079	268.668
Short-term bank deposits and other cash equivalents	440.260	193.379
	604.339	462.047

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

The average effective interest rate on short-term bank deposits was between 3,85% (euro deposits) and 2% (US-dollar deposits) (2007: 4% and 4,60%, respectively) and the average maturity period was 10 days.

Of the total balance of Cash and cash equivalents at 31 December 2008 K€130.558, (2007: K€139.720) relates to balances recorded by the joint ventures and UTEs consolidated, as indicated in Exhibits III and IV, respectively.

There were no cash or cash equivalents with restricted availability at 31 December 2008.

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

16. Share capital

	No. of shares	Ordinary shares	Share premium account	Treasury stock	Total
Balance at 1 January 2007	55.896.000	5.590	8.691	-	14.281
Other movements	-	-	-	-	-
Balance at 31 December 2007	55.896.000	5.590	8.691	-	14.281
Purchase of treasury stock	-	-	-	(55.644)	(55.644)
Balance at 31 December 2008	55.896.000	5.590	8.691	(55.644)	(41.363)

At 31 December 2008 and 31 December 2007 the total number of authorised ordinary shares is 55,896,000, each having a par value of 0.10 euros. All issued shares are fully paid up. There are no restrictions on the transfer of the shares.

Since 2008, the Group began operating with treasury shares. At 31 December 2008 treasury shares represent 2,83% of the share capital of the parent company and totalling 1.581.135 shares at an average acquisition price of 35,20 euros per share.

The total number of shares of Tecnicas Reunidas are admitted to listing since 21 June 2006 in the four official Spanish stock exchanges, quoted on the Continuos Market and are part of the ibex35.

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

	2008		2007	
Shareholder	**No. of shares**	**% interest**	**No. of shares**	**% interest**
Aragonesas Promoción de Obras y Construcciones, S.L.	2.848.383	5,10%	2.848.383	5,10%
Araltec, S.L.	21.795.284	38,99%	21.795.284	38,99%
Banco Industrial de Bilbao	2.969.242	5,31%	2.969.242	5,31%
Bilbao Vizcaya Holding	1.656.885	2,96%	1.656.885	2,96%
BBVA Elcano Empresarial, SCR, S.A.	2.124.048	3,80%	2.124.048	3,80%
BBVA Elcano Empresarial II, SCR, S.A.	2.124.048	3,80%	2.124.048	3,80%
Rest of shareholders (including free float in 2008)	20.796.975	37,21%	22.378.110	40,04%
Treasury shares	1.581.135	2,83%	-	0,00%
TOTAL	**55.896.000**	**100,00%**	**55.896.000**	**100,00%**

17. Other reserves

The total balance of K€1.137 relates to the legal reserve (2007: K€1.137). This reserve, which is fully paid, may not be distributed to shareholders and may only be used to offset losses should no other sufficient reserves be available. It may also be used to increase share capital under certain situations.

18. Cumulative translation difference

	Total
1 January 2007	**414**
Translation differences:	
– Group and associates	(3.319)
31 December 2007	**(2.905)**
Translation differences:	
– Group and associates	1.074
31 December 2008	**(1.831)**

A breakdown of the cumulative translation difference by company / subgroup at year-end 2008 and 2007 is as follows:

	2008	**2007**
Company or subgroup		
Damietta LNG Construction	(447)	(565)
Técnicas Reunidas Metalúrgicas, S.A.	512	554
Técnicas Reunidas Gulf Ltd.	192	(1.115)
Técnicas Reunidas Omán LLC	(980)	(473)
Técnicas Reunidas Engineering LLC	(64)	(139)
Technip Consortium (TPC) (*)	(564)	(1.117)
Others	(480)	(50)
Total	**(1.831)**	**(2.905)**

(*) Corresponds to a consortium that is part of Técnicas Reunidas, the parent company.

19. Dividend payments and minority interests

The proposal for the distribution of the parent company's 2008 profit that will be presented to the Annual General Meeting and the approved distribution for 2007 is as follows:

	2008	2007
Available for distribution		
Profit for the year	97.070	61.068
	97.070	**61.068**
Distribution		
Retained earnings	27.003	7.129
Dividends	70.067	53.939
	97.070	**61.068**

The item Dividends is analysed below:

- Year 2008: The dividends of 70.067 thousand euros consists of the following:
    - 34.762 thousand euros approved as an advance on Dividends by the Board of Directors on 15 December 2008 and paid on 21 January 2009.
    - 35.065 thousand euros proposed for approval of the Shareholders Meeting when approving the annual accounts for the year 2008.
- Year 2007: The dividends of 53,939 thousand euros consists of the following:
    - 25,074 thousand euros approved as an advance on Dividends by the Board of Directors on 14 December 2007 and paid on 22 January 2008 (it should be noted that this figure is lower than the dividend originally approved because of the effect of the treasury share portfolio on the payment date).
    - 28,865 thousand euros approved on the Shareholders Meeting on 20 June 2008.

The following are the provisional accounting and treasury statements on the date of the declaration of the advance on Dividends in the years 2008 and 2007, already mentioned:

	2008	2007
Estimated profit for the year	85.486	60.200
Estimated income tax	6.500	(1.200)
Maximum possible pay-out	91.986	59.000
Proposed pay-out	35.000	25.153
Surplus	**56.986**	**33.847**
Cash prior to pay-out	243.075	266.870
Amount of interim dividend	35.000	25.153
Cash surplus	**208.075**	**241.717**

Movements in minority interests in 2008 and 2007 are analysed below:

	1 January 2007	Increases	Other	31 December 2007	Increases	Other	31 December 2008
Eurocontrol, S.A.	1.511	196	(20)	1.687	172	(39)	1.820
Pegasides, SICAV de SA	4	-	(4)	-	-	-	-
Termotécnica, S.A.	1	-	-	1	-	-	1
ReciclAguilar, S.A.	(3)	(15)	12	(6)	-	(3)	(9)
TR Engineering LLC	794	408	(217)	985	564	(392)	1.157
TR Oman LLC	312	2.605	(414)	2.503	2.440	(240)	4.703
Total	**2.619**	**3.194**	**(643)**	**5.170**	**3.176**	**(674)**	**7.672**

20. Trade and other payables

a) Trade payables are analysed below:

	2008	2007
Suppliers	1.643.488	851.330
Prepayments received for contracted work	120.619	279.894
Other	1.263	3.369
	1.765.370	**1.134.593**

b) Other payables are set out below:

	2008	2007
Non-current		
Finance lease liabilities	862	649
Other items	790	1.366
	1.652	**2.015**
Current		
Finance lease liabilities	1.001	961
Dividends pending payment	34.762	25.153
Other items	8.317	1.618
	44.080	**27.732**

Non-current finance lease liabilities have the following maturities:

	2008	2007
Between 1 and 2 years	612	500
Between 2 and 5 years	250	149
More than 5 years	-	-
	862	**649**

The above amounts represent minimum lease payments discounted to their present value. Future financial charges under finance leases total K€142 (2007: K€141). The Group's finance leases relate to acquisitions of computer equipment and other property, plant and equipment.

21. Borrowings

	2008	2007
Non-current		
Bank borrowings	16.170	11.919
	16.170	**11.919**
Current		
Bank borrowings	46.947	46.105
	46.947	**46.105**
Total borrowings	**63.117**	**58.024**

Average effective interest rates (all variable) at the balance sheet date are as follows:

	2008		2007	
	Euro	US dollar	Euro	US dollar
Bank borrowings	4,5%	3,5%	4,5%	5,5%

The carrying amount of borrowings (both current and non-current) approximates their fair value. The debts are referenced principally to adjustable interest rates, principally the Euribor and the Libor, with monthly revision periods.

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

	2008	2007
Euros	23.626	26.043
US dollars and other currencies	39.491	31.981
	63.117	58.024

The Group has the following unused credit lines:

Variable rate:	2008	2007
– maturing in less than one year	116.701	147.296
– maturing in more than one year	26.306	18.941
	143.007	166.237

The amounts recognised in the income statement are as follows:

	2008	2007
Cost of current services	496	436
Interest expense	253	169
Actuarial gains/(losses)	(12)	(72)
Total included in staff costs (Note 26)	**761**	**677**

Non-current remuneration obligations
The amounts recognised in the balance sheet have been calculated as follows:

	2008	2007
Present value of the obligations at 1 January	240	230
Cost of the services for the current year	35	32
Interest expense	15	11
Benefits paid and expenses	(2)	(16)
Actuarial gains/(losses)	(29)	17
Liability in the balance sheet	**317**	**240**

Movements in the liability recognised in the balance sheet are as follows:

	2008	2007
Opening balance	240	230
Expense charged to the income statement (Note 26)	79	26
Contributions paid	(2)	(16)
Closing balance	**317**	**240**

The amounts recognised in the income statement are as follows:

	2008	2007
Cost of current services	35	32
Interest expense	15	11
Actuarial gains/(losses)	(29)	17
Total included in staff costs (Note 26)	**79**	**26**

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

23. Provisions for liabilities and charges

a) Provisions for liabilities and charges – Non-current portion

ITEM	Provision for estimated project losses	Provision for project completion	Other provisions	Total provisions for liabilities and charges
Balance at 1.1.2007	**-**	**21.516**	**1.610**	**23.126**
Reversals	-	1.462	360	1.822
Applications	-	903	-	903
Appropriations for the year	-	2.193	2.537	4.730
Balance at 31.12.2007	**-**	**21.344**	**3.787**	**25.131**
Reversals	-	3.387	-	3.387
Applications	-	950	678	1.628
Appropriations for the year	2.787	1.238	-	4.025
Balance at 31.12.2008	**2.787**	**18.245**	**3.109**	**24.141**

Provision for estimated project losses:
In compliance with IAS 11, the Group sets up 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 makes the relevant provision.

The provisions recognised by the Group at year-end 2008 and 2007 relate to the following projects:

Project	2008	2007
Project Damietta - Segas	-	2.834
Project 7340 – C.T.C.C. Plana del Vent	-	1.200
Project 8380 – Unidad Hidrotrat. Diesel HDT	-	500
Project 1630 – EO/EG Plant Nanhai	-	400
Project GNL - Cartagena 3	-	370
Project 1770/8394 – Ing. Paquete IV y V Refinería Minatitlan	2.500	3.000
Project 03050 – Planta Biodiesel	300	2.500
Project 1690 – DHT Complex – Yanbu Refi. Pro.	800	2.000
Project 01730 – DHP-CCR Project Tupras	1.583	1.800
Project 8396 – Gas Plant Expansion Ju'aymah	583	1.500
Project 1660 – Diesel / Kerosene Hydrop.	600	1.014
Project 7350 – As Pontes	1.000	800
Project 1800 - Rabigh	3.000	-
Project 7360 - Barranco	1.000	-
Project 8410 - Hawiyah	960	-
Project 8465 – Saih Rawl	500	-
Other Projects	5.419	3.426
Total	**18.245**	**21.344**

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 risk involved it is not possible to determine a reasonable payment calendar.

b) Provisions for liabilities and charges – Current portion

Balance at 1 January 2007	**10.246**
Reversals	6.300
Applications	-
Appropriations for the year	122
Balance at 31 December 2007	**4.068**

26. Employee benefit expenses

	2008	2007
Wages and salaries, including severance indemnities amounting to K€2.409 (2007: K€1.812).	235.875	183.902
Social security expense	37.111	29.414
Pension cost – pension and retirement benefit plans (Note 22)	761	677
Non-current remuneration obligations (Note 22)	79	26
	273.826	**214.019**

27. Operating leases

Minimum future payments on irrevocable operating leases are as follows:

	2008	2007
Less than 1 year	16.244	12.739
Between 1 and 5 years	47.826	46.584
More than 5 years	369	457

The expense recognised in the income statement during the year in respect of operating leases totalled K€56,131. (2007: K€33.218), relating entirely to minimum lease payments.

28. Financial results

	2008	2007
Financial Income		
Interest income from short term bank deposits and others	22.480	12.398
Net profit (loss) on fair value of financial instruments at fair value with changes in results and other	(2.850)	563
	19.630	**12.961**
Financial Expenses		
Interest expense paid on bank loans and other	(7.487)	(4.396)
Net losses on transactions in foreign currency	(7.433)	(2.524)
	(14.920)	**(6.920)**
	4.710	**6.041**

29. Income tax

On 30 September 1993, the Directorate General for Taxation 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, the companies 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. During 2007, as a result of the operation described in Note 34.a.2), the company Layar Castilla, S.A. ceased to form part of the tax group.

	2008	2007
Current income tax	4.990	1.478
Deferred tax	2.201	5.246
	7.191	**6.724**

Deferred taxes generated by transactions have been directly charged or credited to equity in 2008 totalled 2,761 thousand euro (2007: 0 thousand euro).

The income tax on the Group’s pre-tax profit differs from the theoretical amount that would have been obtained had the tax rate applicable to the consolidated companies’ profits been applied, as shown below

	2008	2007
Profit before taxes	147.475	114.598
Tax calculated at the tax rate applicable to the parent company’s profits	44.243	37.244
Tax-free results	(40.511)	(27.369)
Non-tax deductible expenses	129	114
Effect of differences in foreign tax rates	724	(1.730)
Deductions generated	-	(1.873)
Other (net)	2.606	338
Tax expense	**7.191**	**6.724**

The effective tax rate was 4,88% (5,87% in 2007), 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 the item Tax-free results in the above table and were generated mainly by UTEs engaged in export activities (see Exhibit IV).

The item “Other (net)” includes the effect generated in 2007 on deferred taxes by the change in the income tax rate from 32,5% existing in 2007 and 30% in 2008.

Deferred tax assets and liabilities

	2008	2007
Deferred tax assets		
- to be offset after more than 12 months	26.563	19.578
- to be offset in less than 12 months	-	-
	26.563	**19.578**
Deferred tax liabilities		
- to be offset after more than 12 months	(5.325)	(3.820)
- to be offset in less than 12 months	-	-
	(5.325)	**(3.820)**

Movements in deferred tax assets and liabilities are as follows:

	Asset	Liability
At 31 January 2007	**18.384**	**(659)**
Reversals	(4.695)	109
Appropriations for the year	5.022	(3.270)
Other movements	867	-
At 31 December 2007	**19.578**	**(3.820)**
Reversals	(3.737)	2.112
Appropriations for the year	12.211	(3.617)
Other movements	(1.489)	-
At 31 December 2008	**26.563**	**(5.325)**

Deferred tax assets and liabilities are analysed below:

	2008	2007
Tax credits for tax-loss carryforwards	3.414	1.406
Tax credits for deductions pending application	3.182	4.672
Tax credits arising from temporary differences:		
- Provisions for risks and expenses	9.257	7.338
- Other provisions	4.321	-
- Change in current assets	1.365	2.734
- Change in non-current assets	-	2.609
- Hedge reserve	2.925	-
- Other items	2.099	819
	26.563	**19.578**

	2008	2007
Grants	-	(207)
Hedge reserve	(164)	-
Current assets	(5.067)	-
Other items	(94)	(3.613)
	(5.325)	**(3.820)**

Assets related to deferred taxes due to negative taxable bases pending compensation are recognised to the extent that it is probable the corresponding tax benefit will be materialised through future tax benefits. The Group continues to recognise assets through deferred taxes amounting to K€3.414 (2007: K€1.406) referring to losses of K€11.380 (2007: K€6,862) to be compensated in future years against tax benefits.

A breakdown at 31 December 2008 of taxable bases by the year in which the occurred is as follows:

Year	Base	Amount	Usable until
2005	340	102	2.020
2008	11.040	3.312	2.023
	11.380	**3.414**	

At 31 December 2008 the Group records deductions pending application totalling K€7.956 (2007: K€7.015). These deductions mainly derive from reinvestment, research and development expenses and exports. At 31 December 2008, the Group recognised an asset of K€3.182 (2007: K€4.672 of the above-mentioned total; the Group did not recognise any asset in respect of the remaining amount as it was unable to guarantee the future offset of that amount.

During the year, tax authorities began auditing Técnicas Reunidas, S.A. for Income taxes (2004 to 2007) and other taxes (2004 to 2007). As of the date of these annual accounts the results of those audits were not known, although it not expected that any significant tax liabilities will emerge as a result of the audits. Consequently, the Group is subject to audits of 2004 to 2007 corporate income tax and 2005 to 2007 for all other taxes it is required to pay .

As a result, among others, of possible different interpretations of current tax legislation, additional liabilities could arise as the result of an inspection. In any case, the administrators believe that these liabilities, should they arise, would not significantly affect the annual accounts.

30. Earnings per share

Basic and diluted
Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of ordinary shares in the year, excluding treasury shares acquired by the Company.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares to reflect the conversion of all ordinary shares that may potentially be diluted. Given that the Company does not own any class of ordinary shares that may be diluted, the diluted earnings per share coincide with the basic earnings per share.

	2008	2007
Profit attributable to the company's equity holders	137.108	104.680
Weighted average number of ordinary shares outstanding	55.027.050	55.896.000
Basic earnings per share (euro per share)	2,49	1,87

31. Dividends per share

During 2007 dividends were paid out of 2006 profits in the amount of K€35.774 (of which K€16.769 had been declared as an interim dividend in 2006), representing a dividend per share of 0,64 Euros.

During 2008 dividends were paid on 2007 results and totalled K€53.939 (K€25.153 of which had been declared as an interim dividend in 2007), representing a dividend per share of 0,98 Euros.

The dividend to be submitted to the Annual General Meeting that will approve these consolidated annual accounts during 2008 is K€70.067 (of which K€34.762 was declared in 2008 as an interim dividend), entailing a dividend per share of 1,29 Euros. This equivalence per share will be modified on the basis of the treasury share portfolio on the Dividend payment date.

32. Contingencies and guarantees furnished

The Group has contingent liabilities relating to bank and other guarantees that arose during the ordinary course of business. No significant liability is expected to arise besides the situations for which provision was made as explained in Note 23. In the ordinary course of the Group's activities, as is common practice with engineering and construction companies, guarantees provided to third parties totalled K€1.095.106 (2007: K€1.072.564), as security for the performance of contracts.

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

33. Commitments

Commitments to purchase non-current assets
There are no significant investment commitments relating to the purchase of non-current assets at the balance sheet date.

Operating 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' prior notice of the termination of these agreements.

34. Related-party transactions

Transactions with related parties in 2008 and 2007 arose in the ordinary course of business. These transactions with related parties are described below:

a) Transactions with the parent company's principal shareholders

a.1) Transactions with Banco Bilbao Vizcaya Argentaria Group (BBVA Group):
The Group carries out transactions with the BBVA Group only with respect to its banking activities.

Set out below are details of these transactions at 31 December 2008 and 2007:

	2008	2007
Credit facilities	39.161	30.108
Balances utilised	5.910	6.587
Guarantees furnished	379.245	264.756
Letter of credit facilities	10.000	10.000

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.

The Group had contracted forward currency transactions with the BBVA Group, the notional values of which totalled 271.256 thousand of US dollars (2007: 56.364 thousand US dollars).

The income statement for each period includes the costs and revenues related to the above-mentioned transactions, which were carried out at arm's length.

b) Transactions with company Board Directors and executives
Set out below is an analysis of transactions effected with companies in which the parent company's Board Directors are also directors or administrators:

	2008				2007			
	Trade receiv.	Trade payables	Purch.	Sales	Trade receiv.	Trade payables	Purch.	Sales
Grupo CEPSA	3.325	-	5	3.337	5.148	-	7	13.329
Tubos Reunidos	-	23	745	-	-	-	-	-
Schneider	-	321	1.215	-	-	-	-	-
C-60	-	-	-	-	17	-	-	101

The details of the transactions with BSCH are given below:

	2008	2007
Credit facilities	10.000	20.000
Guarantees furnished	267.377	245.169

The Group also arranged a term foreign currency sale with BSCH, with notional values totalling KUSD229.640 (2007: KUSD138.919).

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

During 2008, remuneration paid to company executives in respect of fixed and variable salaries totalled K€4.046 (2007: K€3.701).

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

	2008				2007			
	Trade receiv.	Trade payables	Purch.	Sales	Trade receiv.	Trade payables	Purch.	Sales
Empresarios Agrupados, A.I.E.	(977)	463	7.421	4.446	1.471	32	4.274	3.187
E.A. Interna- cional, S.A.	(933)	2.288	6.286	7.901	1.693	-	1.382	7.579
Ibérica del Espacio, S.A.	1.802	5	7	1.802	327	9	5	190
Layar Castilla, S.A.	-	-	-	-	30	494	20	-
Green Fuel Corp., S.A.	-	-	-	-	-	-	-	4

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. These amounts have been included in the consolidated balance sheet and income statement (before consolidation eliminations):

Assets:	**2008**	**2007**
Non-current assets	425	479
Current assets	55.759	68.726
	56.184	69.205
Liabilities:		
Non-current liabilities	369	2.892
Current liabilities	47.011	64.674
	47.380	67.566
Net assets	8.804	1.639
Revenues	62.417	108.307
Expenses	77.527	111.071
Profit after taxes	**(15.110)**	**(2.764)**

There are no contingent liabilities corresponding to the Groups participation in joint ventures, nor contingent liabilities in the joint ventures themselves.

36. Temporary joint ventures (UTEs)

The Group has interests in the UTEs listed in Exhibit IV. The amounts set out below represent the Group's percentage interest in the assets, liabilities, revenues and profits of the UTEs. These amounts have been included in the consolidated balance sheet and income statement (before consolidation eliminations):

Assets:	**2008**	**2007**
Non-current assets	23.242	18.505
Current assets	1.603.739	1.042.026
	1.626.981	1.060.531
Liabilities:		
Non-current liabilities	16.036	12.198
Current liabilities	1.248.825	823.018
	1.264.861	835.216
Net assets	362.120	225.315
Revenues	1.462.273	1.100.456
Expenses	1.291.732	1.033.802
Profit after taxes	**170.541**	**66.654**

There are no contingent liabilities corresponding to participation by the Group in UTEs, nor contingent liabilities in the UTEs themselves.

Environment

Given the activity 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 situation and results. For this reason, no specific breakdown of environmental information is provided in these notes to the annual accounts.

37. Events after the balance sheet date

Between the 31st December 2008 and the date of these annual accounts, there were no significant events that required itemisation.

38. Other information

a) Average number of Group employees by category

	2008	2007
Category:		
Engineers and university graduates	2.485	2.030
Technical engineers, experts and graduate assistants	994	750
Administrative managers	942	794
Unqualified assistants	392	485
Other categories	419	353
TOTAL	**5.232**	**4.412**

b) Average number of Group employees by sex in the years 2008 and 2007

	2008		2007	
	Men	Women	Men	Women
Category:				
Engineers and university graduates	1.690	795	1.258	772
Technical engineers, experts and graduate assistants	746	248	608	142
Administrative managers	716	226	667	127
Unqualified assistants	118	274	116	369
Other categories	331	88	332	21
TOTAL	**3.601**	**1.631**	**2.981**	**1.431**

c) Audit fees

The fees accrued in 2008 to PricewaterhouseCoopers Auditores, S.L. for audit amounted to K€317 (2007: K€300) and for other services K€151 (2007: K€44). In addition, fees accrued in 2008 for other services rendered to the Group by other companies that use the PricewaterhouseCoopers trademark totalled K€317 (2007: K€178).

d) Information required by Article 127 ter of the Spanish Companies Act

The Directors of the parent company have no disclosures to make with respect to the content of Article 127 ter of the Spanish Companies Act, except for the following:

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

e) Remuneration paid to the company's Board Directors

Set out below are details of the overall remuneration received by the company's Board Directors during the financial year ended 31 December 2008 (Board Directors during 2008 but not necessarily at the date of this report):

- Per diems for attending Board meetings K€872 (2007: K€870).
- Wages and salaries: K€634 (2007: K€634).
- Advances: K€165.
- Life insurance premiums: K€6.

Exhibit I

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2008

SUBSIDIARIES INCLUDED IN THE SCOPE OF CONSOLIDATION

Company name	Registered office	Shareholding		Shareholder company	Consolid. method	Activity	Auditor
		Cost (K€)	% of par value				
Técnicas Reunidas Internacional, S.A.	Madrid	120	100%	Técnicas Reunidas, S.A.	Full	Engineering services	PwC
Termotécnica, S.A.	Madrid	1.450	99.98%	Técnicas Reunidas Construcción y Montaje, S.A.	Full.	Engineering services and machinery wholesaler	Not audited
Técnicas Reunidas Construcción y Montaje, S.A.	Madrid	150	100%	Técnicas Reunidas, S.A.	Full	Real estate development	Not audited
Técnicas Reunidas Ecología, S.A.	Madrid	120	100%	Técnicas Reunidas, S.A.	Full	Engineering services	PwC
Técnicas Reunidas Metalúrgicas, S.A.	Madrid	120	100%	Técnicas Reunidas, S.A.	Full	Engineering services	Not audited
Técnicas Reunidas Trade Panamá, S.A.	Panamá	46	100%	Técnicas Reunidas, S.A.	Full	Dormant company	Not audited
Técnicas Siderúrgicas, S.A.	Madrid	124	100%	Técnicas Reunidas Construcción y Montaje, S.A.	Full	Engineering services	Not audited
Técnicas Reunidas Proyectos Internacionales, S.A.	Madrid	1.503	100%	Técnicas Reunidas, S.A.	Full	Engineering services	Not audited
Española de Investigación y Desarrollo, S.A.	Madrid	438	100%	Técnicas Reunidas, S.A.	Full	Engineering services	PwC
Layar, S.A.	Madrid	8.164	100%	Técnicas Reunidas, S.A.	Full	Real estate	Not audited
Layar Real Reserva, S.A.	Madrid	416	100%	Layar, S.A.	Full	Real estate	Not audited
Eurocontrol, S.A.	Madrid	472	80%	Layar, S.A.	Full	I Inspection, quality control, technical advisory services.	Other
Initec Plantas Industriales, S.A.	Madrid	4.613	100%	Técnicas Reunidas, S.A.	Full	Engineering services	PwC
Initec Infraestructuras, S.A.	Madrid	1.322	100%	Técnicas Reunidas, S.A.	Full	Engineering services	PwC
Initec Chile, S.A.	Chile	1	100%	Initec Plantas Industriales, S.A.	Full	Engineering services	PwC
ReciclAguilar, S.A.	Madrid	126	80%	Técnicas Reunidas, S.A.	Full	Engineering services	Not audited
Técnicas Reunidas Gulf Ltd.	Yedah	15.751	75%	Técnicas Reunidas, S.A.	Full	Engineering services	PwC
TR Engineering LLC	Muscat	400	49%	Initec Plantas Industriales, S.A.	Full	Engineering services	PwC
Técnicas Reunidas Omán LLC	Muscat	215	70%	Initec Plantas Industriales, S.A.	Full	Engineering services	Not audited
Técnicas Reunidas Hellas, S.A (*)	Atenas	60	100%	Técnicas Reunidas, S.A	Full	Engineering services	Not audited
Técnicas Reunidas Netherlands B.V (*)	La Haya	18	100%	Técnicas Reunidas, S.A	Full	Engineering services	Not audited
Técnicas Reunidas de Construcao Unip. LDA (*)	Lisbon	5	100%	Técnicas Reunidas, S.A	Full	Engineering services	Not audited
Técnicas Reunidas Australia Pty Ltd (*)	Melbourne	-	100%	Técnicas Reunidas, S.A.	Full	No activity	Not audited

(*)Companies founded or acquired during the fiscal year and/or additional stakes acquired in companies already included in the consolidation perimeter the year before. The consolidation of these companies did not generate additional sales for the year

Exhibit II

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2008

ASSOCIATES INCLUDED IN THE SCOPE OF CONSOLIDATION

Company name	Registered office	Shareholding		Shareholder company	Consolid. method	Activity	Auditor
		Cost (K€)	% of par value				
Layar Castilla, S.A.	Madrid	2.534	25,39%	Técnicas Reunidas, S.A.	Equity	Real estate	Not audited
Empresarios Agrupados, A.I.E.	Madrid	69	42,48%	Técnicas Reunidas, S.A.	Equity	Engineering services	Not audited
Empresarios Agrupados Internacional, S.A.	Madrid	264	42,48%	Técnicas Reunidas, S.A.	Equity	Engineering services	Not audited
Ibérica del Espacio, S.A. (*)	Madrid	1.101	45,73%	Técnicas Reunidas, S.A.	Equity	Engineering services	Not audited
Green Fuel Corporation, S.A. (*)	Madrid	3.487	25,07%	Técnicas Reunidas, S.A.	Equity	Project analysis and execution.	Not audited
Productora de Diesel, S.A.	Viña del Mar	2.312	27,50%	Técnicas Reunidas Metalúrgicas, S.A.	Equity	Project analysis and execution.	PwC

(*) Companies founded or acquired during the fiscal year and/or additional stakes acquired in companies already included in the consolidation perimeter the year before. The consolidation of these companies did not generate additional sales for the year.

Exhibit III

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2008

JOINT VENTURES INCLUDED IN THE SCOPE OF CONSOLIDATION

Company name	Registered office	Shareholding		Joint venture partner	Consolid. method	Activity	Auditor
		Cost (K€)	% of par value				
Heymo Ingeniería, S. A.	Madrid	517	39,98%	Técnicas Reunidas, S. A.	Proporcionate	Engineering services	KPMG
KJT Engeharia Materiais	Madeira	2	33,33%	Técnicas Reunidas, S. A.	Proporcionate	Engineering services	Deloitte
Damietta Project Management Co.	London	0	33,33%	Técnicas Reunidas, S. A.	Proporcionate	Engineering services	KPMG
Damietta LNG Construction	Damietta	11.331	33,33%	Técnicas Reunidas, S. A.	Proporcionate	Engineering services and project execution	E&Y
Proyectos Ebramex, S. de R.L. de C.V.	México D.F.	7.213	33,33%	Técnicas Reunidas, S. A.	Proporcionate	Engineering services	PwC
Minatrico, S. de R.L. de C.V.	México D.F.	13.756	33,33%	Técnicas Reunidas, S. A.	Proporcionate	Engineering services	PwC
Construcción e Ingeniería D.I. Ltda.	Santiago	1	50,00%	Initec Chile, S.A.	Proporcionate	Engineering services	Other
Construcción e Ingeniería FIM Ltda.	Santiago	1.493	33,33%	Initec Chile, S.A.	Proporcionate	Engineering services and project execution	Not audited
Construcción e Ingeniería FI Ltda.	Santiago	1	50,00%	Initec Chile, S.A.	Proporcionate	Engineering services and project execution	Not audited
Técnicas Reunidas Ensol, S.A.	Madrid	52	50,00%	Técnicas Reunidas, S. A.	Proporcionate	Engineering services and project execution	Not audited

Exhibit IV

UTEs AND CONSORTIUMS IN WHICH THE CONSOLIDATED COMPANIES HAVE INTERESTS

Company name	% of par value
TR FRANCIA BRANCH	100%
TR KHABAROVSK BRANCH	100%
TR MOSCU BRANCH	100%
UTE Hydrocracking	100%
UTE ALQUILACION CHILE	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/ESPINDESA	100%
UTE TR/ESPINDESA - PEL SINES	100%
UTE TR/ESPINDESA - TR AKITA	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/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 TR/EUROCONTROL PROY.ASPPC	95%
UTE INITEC INFRA/BLC/FBA NAT AEROP.REUS	90%
UTE TR/CTCI GUANDONG EO/EG	90%
UTE TR/CTCI JIANGSU SERVICIOS	90%
UTE TR/CTCI JIANGSU SUMINISTROS	90%
UTE TR/SOLAER I.S.F. MORALZARZAL	90%
UTE TR/TECNORESIDUOS PT VALDEMINGOMEZ	90%
UTE TR/ALTAMARCA COMPLEJO LA VIÑA	80%
UTE TR/ALTAMARCA PISCINA CUBIERTA	80%
UTE INITEC I./AN + PD S.C. AEROP.DE SANTIAGO	72%
UTE INITEC INFRA/EVREN EVAL.RECURSOS	70%
UTE TR/ARDANUY ALGECIRAS	70%
UTE TR/SEG PROY.NT AENA	70%
UTE INITEC/PYCSA ALBERCA DEL JUCAR	70%
UTE INTEIN	66%
UTE C.V.C.DALIAS	65%
UTE FCC VALENCIA	63%
VIETNAM	20%

Company name	% of par value
UTE TR/SENER PROEYCTO HPP GEPESA	60%
UTE TR/SERCOAL CENTRO DE DIA	60%
UTE EPYPSA/INITE	60%
UTE TR/FERROVIAL LA PLANA DEL VENT	58%
UTE TR/LOGPLAN A.T.AENA	55%
UTE TR/PAI URBANIZACION CALAFELL	55%
UTE C.SEGURA	51%
UTE PERIAO	50%
UTE TR/INPI/EMMSA MAGREB	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/PYCSA ALBERCA DEL JUCAR	50%
UTE IPI/ACCIONA 5º TANQUE CARTAGENA	50%
UTE IPI/DSD FCC COGENERACION PAMPILLA	50%
UTE IPI/DSD FCC CRAQUEO PAMPILLA	50%
UTE BOBADILLA (CORDOBA TRAMO II)	50%
UTE INITEC/FOSTER ACONCAGUA II	50%
UTE PRESA LOTETA	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/PYCSA CUEVAS DEL CAMPO	50%
UTE TR/RTA VILLAMARTIN	50%
UTE TR/SEG PORTAS	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 AUT.SANT/LU	50%
UTE CARGA ITOIZ	50%
UTE H.MARISTAS	50%
UTE INITEC I./GEOCART CATASTRO R.D. E	50%
UTE PRESA ITOIZ	50%
UTE PROVER	50%
UTE RUZAFA	50%
UTE SON REU	50%
UTE TR/HEYMO/AEROPUESTOS DE PARIS	40%
UTE TR/IONICS RAMBLA MORALES	40%
UTE TR/SKANSKA PROYECTO CIE ARGENTINA	40%
UTE TR/SKANSKA PROYECTO HTG CILC ARGENTINA	40%
UTE TR/ALTAMARCA/HMF C.ALCOBENDAS	34%
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 TIN GAS	27%
UTE TR/IONICS/TCOSA/CHSA DEP.OROPESA	25%
UTE MEIRAMA	14%

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

1. Financial Indicators

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

In financial year 2008, the Group's net sales were 2,479 million euro, which represents a 24 % increase over the year before, maintaining the trend of recent years.

The operating income was 142 million euro, which is 5.7% of the sales figure.

Profits after taxes amounted to 140 million euros and accounted for 5.7% of sales.

2. Research and Development

The Group maintained its policy of investing in the Research, Development and Innovation which is so crucial to it business, developing technological aspects where niches of potential commercial interest can be detected.

3. Significant Events Subsequent to Year End

In early 2009, the situation that characterised the second half of 2008 continued, with a slowdown in new contract awards, despite which the Group made some significant additions to its portfolio, primarily the areas of up-stream and natural gas.

4. Acquisition of Treasury Stock

On 14 January 2008, the company signed a contract with Merrill Lynch Capital Markets to favour the liquidity of its stock with a maximum limit of 5%. The purchases derived from that agreement generated treasury stock in 2008 in the amount of 55,644 miles de euros corresponding to the acquisition of 1,581,135 shares.

5. Management of Financial Risks and Use of Financial Instruments

The principal financial risks and the procedures used to manage them are described in Note 3 of the enclosed report.

6. Other Risk Factors affecting the Business

Demand for the services of TECNICAS REUNIDAS is closely related to the level of investment in the gas and oil industry, which is not easy to predict.

The future business success of TECNICAS REUNIDAS is contingent upon new contract being awarded.

TECNICAS REUNIDAS depends on a relatively small number of contracts and clients, some of them located in the same country.

TECNICAS REUNIDAS does part of its business abroad. This business is exposed to a certain degree of economic, social and political uncertainty. Unexpected, adverse changes in the countries where Técnicas Reunidas does business could result in its projects being paralysed, increased costs and potential losses.

TECNICAS REUNIDAS depends on its key executive personnel.

The success of associations, consortia, and joint ventures depends on our partners' complying with their respective obligations.

A failure of information technology systems could have a negative impact on the business of TECNICAS REUNIDAS.

TECNICAS REUNIDAS may be exposed to claims for the errors or omissions of its professionals.

The warranty liability to clients could have a negative effect on Técnicas Reunidas's profits.

TECNICAS REUNIDAS is not exempt from the risk of being involved in litigation.

7. Average Number of Employees by Category

	2008	2007
Category		
Engineers and other professionals	2,485	2,030
Surveyors, specialists and qualified assistants	994	750
Administrative	942	794
Unqualified assistants	392	485
Other categories	419	353
TOTAL	**5,232**	**4,412**

8. The Environment

Given the lines of business in which the companies of the Group operate, the Group has no liabilities, expenses, assets, provisions or contingencies of an environmental nature which could have a significant effect on its net worth, financial situation or results.

9. Capital Structure, Restrictions on the Transferability of Shares and Significant Shareholders

The share capital consists of 55,896,000 shares with a par value of 0.10 euro per share. All of the shares belong to the same class and therefore heave the same rights and obligations. There are no restrictions on the transferability of the shares.

The significant shareholders, direct and indirect, are shown below:

Company		Number of Shares	Percentage of Total
Araltec, S.L.	Direct	21,795,284	38.99%
Aragonesa de Promoción de Obras Construcciones	Direct	2,848,383	5.10%
Banco Bilbao Vizcaya Argentaria	Indirect	8,874,223	15.9%

10. Restrictions on Voting Rights

Pursuant to article 16 of the Articles of Association, shareholders must possess at least 50 shares in order to attend General Meetings.

11. Shareholder Agreements

On 23 May 2006, under a contract signed by Aragonesas Promoción de Obras y Construcción, S.L., BBVA Elcano Empresarial I, SCR and BBVA Elcano Empresarial II, SCR, the following agreements were reached:

- A syndicated voting commitment on the governing bodies of the Company by the shares controlled by José Lladó Fernández Urrutia (Araltec, S.L. and Aragonesas Promoción de Obras y Construcciones, S.L.) and those in the possession of the companies BBVA Elcano Empresarial, SCR and BBVA Elcano Empresarial II, SCR, in order to ensure a majority of votes in favour of the companies controlled by José Lladó Fernández Urrutia.

- A commitment by the companies BBVA Elcano Empresarial I, SCR and BBVA Elcano Empresarial II, SCR to maintain their shareholding for a period of nearly 9 years. The agreement also establishes a calendar for the progressive and optional exclusion of the shares subject to the syndication and maintenance agreement between the years 2010 and 2015 and a preferential acquisition right in favour of José Lladó Fernández Urrutia.

12. Rules for the Appointment and Substitution of Members of the Board of Directors and Amendment of the Company's Articles of Association.

These rules relative to the Board of Directors are described in detail in the Corporate Governance Report. The most relevant aspects are:

Articles 17 to 22 of the Rules of the Board of Directors regulate the appointment and removal of the directors of Técnicas Reunidas., stipulating that:

1. With the favourable report of the Appointments and Remuneration Committee, directors are appointed by the General Meeting or by the Board of Directors under the conditions stipulated in the Public Limited Companies Act.

2. The Board of Directors will make every effort to ensure that the Directors are persons of recognised solvency, competence and experience.

3. The Board of Directors may not propose or appoint anyone who holds an executive position in the Company or group of companies or who has family or professional ties to the executive directors, to other executive staff and/or to shareholders of the Company or its group of companies to fill the position of independent director.

4. The directors' term of office will be five (5) years, although they may be removed prior to that time by the General Meeting. At the end of their terms of office they may be re-elected for one or more terms of equal length.
5. Independent directors must step down after a term of 12 consecutive years after the time when the company's shares are first traded on the stock exchange.

6. Directors shall make their seats available to the Board of Directors and formally resign under the following circumstances:

When they no longer occupy the executive posts associated with their appointment as directors.

When they are affected by any of the situation of legal incompatibility or prohibition.

When they receive a warning from the Board of Directors for having violated their obligations as directors.

When their remaining on the Board could pose a risk to the Company's interests or when the reasons why they were appointed no longer exist (for example, when a nominee director disposes of it interest in the Company).

13. Powers of the Board of Directors, particularly those relative to the possibility of issuing or repurchasing shares.

According to the powers attributed to it under the Public Limited Companies Act, the Board of Directors is the ultimate decision-making body of the Company, with the exception of the matters specifically reserved for the General Meeting.

With regard to the power to issue or repurchase shares, article 5 of the Rules of the Board of Directors stipulates that it is the Board's responsibility to:

Execute the treasury stock policy as authorised to do so by the General Meeting.

Approve the Company's general policies and strategies, including the treasury stock policy and its limits, in particular.

Approve the company's most relevant operating decision relative to investments and shareholdings in other companies, financial operations, hiring and employee remuneration.

14. Significant agreements signed by the Company which take effect, are modified or conclude if the control over the Company changes as a result of a takeover bid.

There are no agreements of this kind.

15. Agreements between the Company and its officers, executives or other employees who are entitled to receive an indemnity when they resign or are illegally dismissed or if the employment relationship comes to an end by reason of a takeover bid.

There is only one such agreement with a company executive which provides that in the event of illegal dismissal the indemnity would be determined in court and in the event of an objective dismissal, layoff or any other decision by the company, the amount of the indemnity would be 488,000 euros.

16. Corporate Governance Report.

The Corporate Governance Report is appended to this Directors' Report.

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