PRICEWATERHOUSECOOPERS

Paseo de la Castellana, 43
28046 Madrid
Tel. +34 902 021 111
Fax +34 913 083 566

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

AUDITOR´S REPORT ON THE ANNUAL ACCOUNTS

To the Shareholders of Técnicas Reunidas, S.A.

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

2. The accompanying annual accounts for 2008 are the first that the Directors of Técnicas Reunidas, S.A. formulate under the General Chart of Accounts adopted by virtue of Royal Decree 1514/2007. In this sense, in accordance with section 1 of Temporary Provision Four of the aforementioned Royal Decree, this annual accounts have been considered the initial and, therefore comparative amounts have not been included. Note 3 to the accompanying annual accounts "Aspects arising from the transition to the new accounting standards" incorporate the balance sheet and the income statement for 2007 formulated applying the General Chart of Accounts in force in the previous year and contains an explanation of the main differences between the accounting criteria applied in the previous year and in this year, and the quantification of the impact of this variation in the accounting criteria on net equity at 1 January 2008, the transition date. Our opinion refers exclusively to the annual accounts for 2008. On 2 April 2008 we issued our audit report on the 2007 annual accounts, formulated under the accounting standards and principles generally accepted in Spain in force during that year, in which we expressed an unqualified opinion.

3. As is mentioned in Note 9, the Company holds majority shareholdings in a series of companies. The accompanying annual accounts have not been prepared on a consolidated basis. On 27 February 2009 consolidated annual accounts were prepared for the group of companies on which we issued an unqualified opinion on 27 February 2009. These accounts reflect net equity totalling thousand euro 225,610, which includes profits for 2008 totalling thousand euro 140,284. It should be noted that those consolidated annual accounts have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU).

4. In our opinion, the accompanying annual accounts for the year 2008 present fairly, in all material respects, the equity and financial position of Técnicas Reunidas, S.A. at 31 December 2008 and the results of its operations, changes in net equity and its cash flows for the year then ended and contain all the information necessary for their interpretation and comprehension, in accordance with generally accepted accounting principles in Spain.

PricewaterhouseCoopers Auditores, S. L. - R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79031290

PRICEWATERHOUSECOOPERS

5. The accompanying Directors' Report for 2008 contains the information that the Company's Directors consider relevant to the position of Técnicas Reunidas, S.A., the development of its business and other matters and does not form an integral part of the annual accounts. We have verified that the accounting information contained in the aforementioned Directors' Report coincides with that of the annual accounts for 2008. Our work as auditors is limited to checking the 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 Company's accounting records.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Javier Lapastora Turpín
Partner

27 February 2009

wC 061

TÉCNICAS REUNIDAS, S.A.

Annual Accounts at 31 December 2008
and Directors' Report for 2008

Table of contents of Annual Accounts of Técnicas Reunidas, S.A.

Note

Técnicas Reunidas, S.A.
BALANCE SHEET AT 31 DECEMBER 2008
(Thousand euros)

		2008
NON-CURRENT ASSETS		**111,224**
Intangible assets	Note 6	26,813
Property, plant and equipment	Note 7	18,750
Long-term investments in Group and associated companies	Note 9	38,876
Long-term financial assets		8,688
Long term shares and shareholdings in equity		192
Loans to third parties		351
Derivatives	Note 13	5,834
Other financial assets		2,311
Deferred tax assets	Note 24	18,097
CURRENT ASSETS		**1,365,566**
Inventories	Note 14	12,289
Trade and other receivables	Note 12	968,577
Short-term investments in Group and associated companies	Note 9	79,259
Short-term investments		17,297
Equity instruments	Note 11	13,428
Loans to companies		94
Derivatives	Note 13	3,345
Other financial assets		430
Short-term accruals		89
Cash and other cash equivalents	Note 15	288,055
TOTAL ASSETS		**1,476,790**

Notes 1 to 33 of the report and Appendix I are an integral part of these annual accounts.

Técnicas Reunidas, S.A.
BALANCE SHEET AT 31 DECEMBER 2008
(Thousand euros)

		2008
EQUITY		**79,541**
Equity		**88,548**
Capital	Note 16	5,590
Authorised capital		5,590
Share premium account	Note 16	8,691
Reserves	Note 17	67,603
Legal and statutory		1,137
Other reserves		66,466
(Treasury shares)	Note 16	(55,644)
Profit/(loss) for the year	Note 18	97,070
(Interim dividend)	Note 18	(34,762)
Value adjustments		**(9,687)**
Hedging transactions	Note 13	(9,123)
Translation differences		(564)
Grants, donations and bequests received		**680**
NON-CURRENT LIABILITIES		**54,842**
Long-term provisions		24,036
Long-term employee benefit obligations	Note 20	4,754
Other provisions	Note 19	19,282
Long-term payables	Note 21	30,642
Deferred tax liabilities	Note 24	164
CURRENT LIABILITIES		**1,342,407**
Short-term provisions	Note 19	8,218
Short-term payables	Note 21	61,551
Short-term payables to Group companies and associates	Note 22	60,610
Trade and other payables	Note 23	1,211,813
Short-term accruals		215
TOTAL LIABILITIES AND EQUITY		**1,476,790**

Notes 1 to 33 of the report and Appendix I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008
(Thousand euros)

		2008
CONTINUING OPERATIONS		
Revenue	Note 25	1,450,082
Sales		1,449,942
Services rendered		140
Changes in inventories of finished products and work in progress		1,277
Own work capitalised		4,068
Raw materials and consumables		(978,444)
Consumption goods purchased for resale		(978,444)
Other operating income		1,469
Accessory and other income		404
Operating grants released to income during the year		1,065
Staff costs	Note 25	(140,658)
Wages, salaries and similar remuneration		(115,414)
Staff welfare expenses		(24,748)
Provisions		(496)
Other operating charges	Note 25	(277,928)
External services		(266,474)
Taxes		(3,221)
Losses, impairment and changes in provisions for commercial transactions		(8,233)
Fixed asset depreciation		(3,504)
Overprovisions		610
Impairment and profit/loss on fixed asset disposals		(2)
OPERATING RESULTS		**56,970**
Finance income		53,953
Finance costs		(2,636)
Change in fair value of financial instruments		(2,850)
Net exchange differences		(38)
Impairment and losses on disposal of financial instruments		(17,695)
FINANCE INCOME/EXPENSE - NET	Note 26	**30,734**
PROFIT/LOSS BEFORE INCOME TAX		**87,704**
Corporate income tax	Note 24	9,366
PROFIT/LOSS FOR THE YEAR		**97,070**

Notes 1 to 33 of the report and Appendix I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES
(Thousand euros)

	2008
Profit/(loss) for the year	**97,070**
Income and expense attributed directly to equity	
For cash-flow hedges	(11,858)
Grants, donations and bequests received	(188)
On actuarial gains and losses and other adjustments	(576)
Tax effect	2,761
	(9,861)
Transfers to the income statement	
For cash-flow hedges	(4,356)
Grants, donations and bequests received	-
Tax effect	-
	(4,356)
TOTAL RECOGNISED INCOME AND EXPENSE	**82,853**

Notes 1 to 33 of the report and Appendix I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

B) TOTAL STATEMENT OF CHANGES IN EQUITY
(Thousand euros)

	Share capital	Share premium account	Treasury shares	Legal reserve	Retained earnings	Profit/(loss) for the year	Interim dividend	Value adjustments	Grants, donations and bequests received	Total equity
FINAL BALANCE AT 31.12.2007	**5,590**	**8,691**	-	**1,137**	**59,731**	**61,068**	**(25,153)**	-	-	**111,064**
Adjustments for conversion to the new Spanish chart of accounts (Note 3)	-	-	-	-	(933)	-	-	4,330	868	4,265
ADJUSTED BALANCE AT 01.01.2008	**5,590**	**8,691**	-	**1,137**	**58,798**	**61,068**	**(25,153)**	**4,330**	**868**	**115,329**
Total recognised income and expenses	-	-	-	-	(12)	97,070	-	(14,017)	(188)	82,853
Trading in treasury shares	-	-	(55,644)	-	567		-	-	-	(55,077)
Distribution of 2007 profits	-	-	-	-	7,129	(61,068)	25,153	-	-	(28,786)
Interim dividend for 2008	-	-	-	-	-	-	(34,762)	-	-	(34,762)
Other movements in equity	-	-	-	-	(16)	-	-	-	-	(16)
FINAL BALANCE AT 31.12.08	**5,590**	**8,691**	**(55,644)**	**1,137**	**66,466**	**97,070**	**(34,762)**	**(9,687)**	**680**	**79,541**

Notes 1 to 33 of the report and Appendix I are an integral part of these annual accounts.

Técnicas Reunidas, S.A.
CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008
(Thousand euros)

	Notes	Year ended 31 December 2008
Cash flows from operating activities		
Profit/(loss) for the year		97,070
Adjustments:		
- Taxes	**24**	(9,366)
- Depreciation/amortisation of PPE and intangible assets	**6 and 7**	3,504
- Net movements in provisions for liabilities and charges		11,526
Changes in working capital;		
- Inventories		(2,300)
- Trade and other receivables		(483,945)
Other receivables		(44,659)
- Financial assets at fair value through profit or loss		1,297
- Trade payables		596,413
- Current tax liabilities		3,812
- Provisions for risks and expenses and other accounts payable		2,127
Other movements in equity		10,716
Net cash generated from operating activities		**186,195**
Cash flows from investing activities		
Purchases of property, plant and equipment	**6**	(9,509)
Acquisition of intangible assets	**7**	(7,362)
From group companies		(4,000)
Acquisition of other long-term assets		21
Other assets		(634)
Disposal of long-term assets		123
Net cash used in investing activities		**(21,361)**
Cash flows from financing activities		
		19,836
Reimbursement of borrowings		(22,658)
Dividends paid		(53,939)
Treasury shares acquired	**16**	(55,644)
Net cash used in financing activities		**(112,405)**
Net change in cash and cash equivalents		**52,429**
Cash and cash equivalents at beginning of the year		**235,626**
Cash and cash equivalents at year end		**288,055**

Notes 1 to 33 of the report and Appendix I are an integral part of these annual accounts.

Free translation of the consolidated annual accounts originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevail.

Técnicas Reunidas, S.A.
NOTES TO THE ANNUAL ACCOUNTS FOR 2008
(Thousand euros)

1. General information

Técnicas Reunidas, S.A. (hereinafter the company), was incorporated on 6 July 1960 as a public trading company. It is entered in the Madrid Mercantile Registry, Volume 1407, Sheet 129, Page 5692 of the Companies Book. The latest adaptation and review of its statutes is registered in volume 22573, book 0 of section 8, folio 197, sheet M-72319, inscription nº 157. The registered offices of Técnicas Reunidas, S.A. are located in Madrid on calle Arapiles 14. Its main offices are registered in Madrid on calle Arapiles 13.

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

Within its engineering service activity, the Group operates through several lines of business, mainly in the refinery, gas and energy sectors.

All Técnicas Reunidas, S.A. shares are admitted for quoting as of 21 June 2006 on the four Spanish Official stock exchanges. They quote on the continuous market and are part of the Ibex35 index.

As indicated in Note 9, the company is the parent company of a group of companies. The annual accounts have been prepared on an unconsolidated basis. On 27 February 2009 the Board of Directors prepared these consolidated annual accounts of Técnicas Reunidas, S.A. and its dependent companies at 31 December 2008 which were prepared by applying the international financial regulating standards adopted by the European Union (IFRS-EU). In accordance with the content of these consolidated annual accounts the total equity of 225,610 thousand euros includes a profit attributable for 2008 of 137,108 thousand euros.

2. Basis of presentation

a) Fair presentation

The annual accounts have been prepared on the basis of the Company's accounting records and are presented in accordance with prevailing commercial legislation and the provisions of the Chart of Accounts approved by Royal Decree 1514/2007 so as to present fairly the Company's equity, financial situation and results and accurately cash flow in the cash flow statement.

The annual accounts have been prepared using the modified historical cost approach in those cases established by regulations set out in the Spanish chart of accounts in which determined assets are valued at their fair value.

Data are expressed in thousands of euros unless indicated otherwise.

b) Critical aspects of the measurement and estimation of uncertainty

Preparation of the annual accounts requires the management to make estimates and assumptions that may affect accounting policies adopted and the amount of the related assets, liabilities, income, expenses and breakdowns. The estimates and assumptions made are based, among other things, on past experience and other events considered to be reasonable in accordance with the events and circumstances taken into consideration at the balance sheet date, the result of which is the basis of judgment for the carrying amount of assets and liabilities that cannot be immediately calculated in another way. Actual results may be different than forecast in the estimates.

Estimates and judgements are assessed on an on-going basis and are based on historic 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 yields is material. Set out below are the main estimates made by the company's management.

Revenue recognition
Revenue recognition criteria applied by the Group is based on the percentage method based on the extent of completion. The extent of completion is calculated as the percentage of costs incurred with respect to the contract compared with total estimated costs required to fulfil the contract. This revenue recognition method is applied only when the result from the contract may be reliably estimated and it is likely that the contract will generate profits. If the result from the contract may not be reliably estimated, revenues are recognised to the extent that costs are recovered. When it is likely that the costs relating to a contract exceed revenues from that same contract, 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 fulfil the contract. These estimates are reviewed and are evaluated regularly in order to verify whether or not they generated a loss and if it is possible to continue to apply the percentage completion method or to re-estimate the expected margin from the project. During the development of a project the Group also estimates the probable contingencies relating to the increase in the total estimated cost and changes the manner of revenue recognition accordingly.

Income tax and deferred tax assets
Calculation of income tax requires interpretation of tax regulations applicable to the company. There are also several factors mainly, but not exclusively, linked to changes in tax laws and changes in the interpretation of tax laws already in force, which require the application of estimates by Group management. In addition the Group evaluates the recoverability of deferred tax assets based on the existence of future taxable income against which these assets may be offset.

Provisions
Provisions are recognized when it is probable that a present obligation, resulting from past events, will require the application of resources and when the amount of the obligation may be reliably estimated. To comply with the requirements of accounting rules significant estimates are necessary. 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.

Receivables
The Group makes estimates relating to the collection of trade receivables for those projects affected by controversies 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 yield on assets delivered to customers.

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 on the selection of methods and assumptions that are mainly based on existing market conditions at each 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 be different than those arising in future claims.

Employee benefits
The present value of employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a series of assumptions. The assumptions made to the cause 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. Any change in these assumptions will have an effect on the expense amount and the liability for employee obligations.

Impairments in the value of investments in group, jointly-controlled entity and associated company equity
Verification of the impairment in value of investments in group, jointly-controlled entities and associated companies is performed in accordance with accounting policy described in Note 4. Given that the companies are unlisted the theoretical value corrected for tacit surpluses existing upon assessment are considered as unrecoverable amounts. These calculations require the use of estimates.

Useful lives of fixed and non-fixed assets.
The company directors determine the estimated useful lives and corresponding charges for depreciation of PPE and non-fixed assets. The useful lives of assets are estimated in accordance with the period over which the fixed asset concerned will generate profits. At each closing the Group reviews the useful lives of assets and if the estimates differ from those made previously the effect of the change is recorded on a prospective basis as of the year in which the change is made.

3. Aspects arising from the transition to the new accounting rules

<u>3.1. Transition to the new Spanish chart of accounts</u>

In accordance with prevailing legislation, the annual accounts at 31 December 2008 are the first annual accounts presented under the Chart of Accounts approved by Royal Decree 1514/2007 (16 November), which came into force on 1 January 2008 (hereinafter PGC 2007). The annual accounts at 31 December 2007 were prepared under the Chart of Accounts introduced under Royal Decree 1643/1990 (20 December) and were in force to 31 December 2007 (1990 Chart of Accounts).

For the purposes of the obligation stipulated in Article 35.6 of the Code of Commerce and pursuant to the consistency principle and the comparability requirement, the annual accounts at 31 December 2008 are classed as initial annual accounts. The Company has opted not to include comparative information for 2007 adapted to the 2007 Chart of Accounts, which have therefore been applied for the first time in 2008.

The date of transition of the entity to Spanish chart of accounts 2007 was 1 January 2008. Without detriment to the above, the balance sheet and income statement included in the annual accounts for 2007, prepared in accordance with the chart of accounts 1990, are reflected:

- Balance sheet at 31 December 2007:

ASSETS (Amounts expressed in thousands of euros)			31.12.07
B)	**Fixed assets**		**75,575**
	II.	**Intangible assets**	**21,774**
		1. Research and development expenses	11,483
		2. Concessions, patents, licences and trademarks	18,758
		3. Software	6,065
		4. Rights on goods under financial lease	21
		5. Amortisation	(14,553)
	III.	**Property, plant and equipment**	**10,600**
		1. Land and buildings	549
		2. Plant and machinery	7,377
		3. Fixtures, fittings, tools and furnishings	4,474
		4. Prepayments and PPE in course of construction	-
		5. Other fixed assets	8,875
		6. Amortisation	(10,675)
	IV.	**Investments**	**43,201**
		1. Shareholdings in Group companies	40,039
		2. Shareholdings in associated companies and jointly-controlled entities	13,687
		3. Long-term securities portfolio	223
		4. Other loans	446
		5. Long-term deposits and guarantees	1,561
		6. Provisions	(12,755)
D)	**Current assets**		**775,896**
	II.	**Inventories**	**9,302**
		1. Raw materials and other supplies	71
		2. Projects underway	8,084
		3. Projects completed	1,147
	III.	**Receivables**	**484,790**
		1. Trade receivables for sales and services rendered	380,647
		2. Receivables, Group companies	61,104
		3. Amounts due from associates	17,365
		4. Sundry receivables	219
		5. Loans to employees	534
		6. Taxes and Social Security contributions	26,475
		7. Provisions	(1,554)
	IV.	**Current asset investments**	**91,547**
		1. Loans to group companies	14,281
		2. Loans to related companies	6,465
		3. Loans to associated companies and jointly-controlled entities	9,648
		4. Short-term securities portfolio	61,974
		5. Other loans	101
		6. Short term deposits and guarantees	418
		7. Provisions	(1,340)
	VI.	**Cash at bank and in hand**	**190,177**
	VII.	**Prepayments and accrued income**	**80**
General Total			**851,471**

- Balance sheet at 31 December 2007 (continued):

LIABILITIES (Amounts expressed in thousands of euros)			31.12.07
A)	**Equity**		**111,064**
	I.	**Share capital**	**5,590**
	II	**Share premium account**	**8,691**
	IV.	**Reserves**	**60,868**
		1. Legal reserve	1,137
		2. Other reserves	59,731
	VI.	**Profit for the year**	**61,068**
	VII.	**Interim dividend**	**(25,153)**
B)	**Deferred income**		**1,252**
	1. Capital grants		1,252
C)	**Provisions for liabilities and charges**		**21,766**
	1. Other provisions		21,766
F)	**Long-term payables**		**14,006**
	II. Bank loans		**11,805**
	V. Disbursements pending on unrequired shares		**2,201**
		1. From group companies, jointly-controlled entities and associates	2,201
G)	**Short-term payables**		**703,383**
	II.	**Bank loans**	**19,538**
		1. Loans and other liabilities	19,538
	III.	**Short-term payables to Group companies and associates**	**57,111**
		1. Amounts owed to Group companies	42,249
		2. Accounts payable to associates	14,862
	IV.	**Trade payables**	**584,454**
		1. Advances received for orders	231,357
		2. Trade payables for purchases or services received	348,736
		3. Bills payable	4,361
	V.	**Other non-trade payables**	**39,336**
		1. Taxes and Social Security contributions	12,263
		2. Other payables	26,503
		3. Accrued wages and salaries	522
		4. Short-term deposits and guarantees received	48
	VI.	**Trade provisions**	**2,905**
	VII.	**Prepayments and accrued income**	**39**
General Total			**851,471**

- Income statement corresponding to the year ending 31 December 2007 (expressed in thousands of euros):

		31.12.07
A)	**Operating expenses**	**816,423**
	Raw materials and consumables	**653,835**
	1. Consumption of raw materials and other consumable materials	514,970
	2. Other external expenses	138,865
	Staff costs	**103,752**
	1. Wages, salaries and similar remuneration	85,482
	2. Staff welfare expenses	18,270
	Fixed asset depreciation	**2,625**
	Change in trade provisions	**(13,915)**
	1. Change in provisions and losses from uncollectable loans	-
	2. Change in trade provisions	(13,915)
	Other operating charges	**70,126**
	1. External services	65,243
	2. Taxes	3,326
	3. Other expenses	1,557
B)	**Operating revenues**	**839,384**
	Revenue	**827,631**
	1. Sales	827,631
	2. Services rendered	-
	Increase in inventories of finished goods and work in progress	**(1,664)**
	Own work capitalised	**8,105**
	Other operating income	**5,312**
	1. Accessory and other income	4,783
	2. Capital grants	529
	I. Operating profits	**22,961**
A)	**Financial and similar expenses**	**8,034**
	1. Financial expenses for debts with group companies	6
	3. Financial expenses for debts with third parties and similar expenses	2,498
	4. Losses on investments	-
	5. Changes in provisions for investment	1,340
	6. Losses on exchange	4,190
B)	**Finance income**	**49,275**
	Income from shareholdings	**35,993**
	1. Group companies and associates	35,337
	2. Non-group companies	656
	Income from other securities and loans from fixed assets	**953**
	1. From group companies	-
	2. From associate companies	-
	3. Non-group companies	953
	Other interest and similar income	**6,269**
	3. Other interest	219
	4. Profits from investments	6,050
	Gains on exchange	**6,060**
	II. Net revenue	**41,241**
	III. Profit/(loss) from ordinary activities	**64,202**
A)	**Extraordinary expenses**	**2,020**
	1. Variation in provisions from fixed assets and controlling interests	2,004
	2. Loss on disposal of fixed assets	16
	3. Extraordinary expenses and losses	-
B)	**Extraordinary income**	**331**
	1. Profit on disposal of fixed assets	129
	2. Grants on capital transferred to results	195
	3. Extraordinary revenue or profits	7
	IV. (Expenses) Net extraordinary revenue	**(1,689)**
	V. Profit/(loss) before taxes	**62,513**
	Corporate income tax	1,445
	VI. Profit for the year	**61,068**

The Company has valued all assets on the opening balance sheet at the transition date in accordance with the 2007 Chart of Accounts.

3.2. Reconciliation between 1990 and 2007 Charts of Accounts

The following conciliation offers quantification of the impact of the transition to chart of accounts 2007. This reconciliation of equity at 1 January 2008 is set out below:

Thousand euros

EQUITY CHART OF ACCOUNTS 1990 (31-12-2007)	**111,064**	**Ref.**
Non-repayable grants	868	a
Recognition of derived financial instruments	1,985	b
Evaluation of assets at their fair value	1,180	c
Other adjustments	232	d
EQUITY CHART OF ACCOUNTS 2007 (1-1-2008)	**115,329**	

Set out below is an explanation of the adjustments (net of tax effect) to the opening balance at 1 January 2008:

a) Recognition of non-repayable grants.
The adjustment represents recognition as income directly attributed to equity of non-repayable grants, in accordance with that set out by the chart of accounts 2007.

b) Recognition of derived financial instruments
This adjustment covers recognition in the balance sheet of derived financial instruments contracted by the company to cover foreign currency positions and that complied on this date with the policy set out in Note 4.10.

c) Evaluation of assets at their fair value
This adjustment covers the accounting at fair value of financial assets which in accordance with that established by the chart of accounts 2007 should be evaluated at their fair value.

d) Other adjustments
This item covers the net effect of lesser adjustments referring mainly to the stabilisation of expenses considered not subject to activation under the chart of accounts 2007, in addition to recognition of assets on which obtaining profits or yields for the company in the future is likely.

4. Accounting policies

4.1 Intangible assets

a) Computer applications

This covers the ownership and right to use computer applications, both acquired from third parties and prepared by the company, which it is planned to use over various years. Their depreciation is performed linearly over a period of 4 years from the time use of each application commenced. Maintenance expenses for computer applications are attributed as an expense for the year in which they occurred.

b) Patents, licenses, trademarks and similar items

This covers the amount met by the ownership or the right to use different manifestations of industrial property. They have a defined useful life and depreciate linearly over the period they are used.

c) Concessions

Concessions for construction refer to administrative authorisation granted by various town councils for the construction and subsequent operation for a determined period of time in respective contracts, of car parks and other assets. Once the assets covered by the concession begin to be operated the amounts received from parking lot users will be recognized as ordinary revenues, and the operating expenses will be recognized as an expense for the year and the amortisation of the intangible assets will be stated on a straight-line basis over the term of the concession. The yield obtained from the project will be reviewed at each closing to evaluate whether or not there is any indication of any loss of value that may arise due to the assets being unrecoverable with regard to the revenues generated through their operation.

Concessions are amortised linearly during the concession period.

4.2 Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost less accumulated depreciation and the accumulated amount of recognised losses.

Costs incurred to extend, modernise or improve property, plant and equipment are only recorded as an increase in the value of the asset when the capacity, productivity or useful life of the asset is extended and it is possible to ascertain or estimate the carrying amount of the assets that have been replaced in inventories.

The cost of major repairs is capitalised and depreciated over the estimated useful life of the asset, while recurring maintenance costs are charged to the income statement in the year in which they are incurred.

Depreciation of property, plant and equipment, with the exception of unamortised land is calculated using the linear method based on estimated useful lives and the residual value of the assets.

The estimated useful lives of the various asset categories are as follows:

	Coeficientes
Buildings	2%
Technical laboratory facilities	20%
Photocopiers	10%
General installations	6%
Air conditioning installations	8%
Topography workstations	10%
Furnishings and office equipment	10%
Other equipment	15%
Data-processing equipment	25%
Vehicles	14%

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 amount, the carrying amount is written down immediately to the recoverable amount.

Gains and losses on the disposal of property, plant and equipment are calculated by comparing the sale revenue with the carrying amount and are recognised in the income statement.

The amount of work performed by the company for its own fixed assets is calculated by adding to the acquisition price of consumable materials, direct or indirect costs attributable to these goods and this appears as income in the income statement.

Interest costs directly attributable to the acquisition or construction of fixed assets that require more than one year before they may be brought into use are included in the cost of the assets until they are ready for use.

4.3 Losses due to impairment of non-financial assets

The Group does not recorded any intangible assets with an indefinite useful life in the balance sheet.

The Group reviews the assets subject to depreciation at each closing to verify whether or not there are any events of changes in circumstances that indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, understood as the asset's fair value less the higher value of costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (Cash Generating Units). For those assets that do not generate independent cash flows, the recoverable amount is determined for the cash generating units to which the evaluated assets belong. Non-financial assets which are impaired are reviewed at the balance sheet date for reversal of the loss.

The income statement for 2008 does not include any charge for this concept.

4.4 Financial assets

The company determines the classification of its investments, for the purposes of their evaluation, at the time of initial recognition and reviews the classification at the close of each year. The classification depends on the purpose with which financial assets were acquired, assessing these in accordance with the following policies:

a) Loans and receivables: Those assets that arise because of the sale of goods and provision of services for corporate business transactions. In addition, this category includes non-commercial loans defined as those finance assets which—not being equity instruments or derivatives—do not have a commercial origin and whose payments are of a determined amount not negotiated on an active market.

These finance assets are initially assessed at their fair value including directly attributable transaction costs and subsequently at amortised cost, in accordance with their effective interest rate. Trade receivables falling due in less than one year are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

At the year end, at least, the necessary value adjustments are made to account for impairment when there is objective evidence that all receivables will not be collected. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the date of initial recognition. Value adjustments, and reversals, where applicable, are recognised in the income statement.

b) Held-to-maturity investments are debt securities with fixed or determinable payments and fixed maturity that are negotiated on an active market and which the company intends to maintain up until maturity.

The criteria for evaluation of these investments are the same as for loans and accounts payable. They are initially evaluated at their fair value and subsequently at amortised cost and the interest accrued over the period is calculated by applying the effective interest rate method.

c) Finance assets held to negotiate: all those assets held to negotiate which are acquired with the purpose of selling in the short term or that form part of an identified and managed investment portfolio to obtain short term profits are considered financial assets at fair value with changes in the income statement. Their initial evaluation is performed at their fair value and the changes in this value are directly attributed in the income statement.

d) Other financial assets at fair value through profit or loss: are those financial assets which the company designates upon initial recognition for inclusion in this category to lead to more relevant information. Derivatives are also classified as held for trading provided that they do not relate to a financial guarantee contract and have not been designated as a hedge.

These financial assets are measured at both initial recognition and subsequent measurement at fair value and any changes in that value are reflected in the income statement. Transaction costs directly attributable to the acquisition are recognised in the income statement for the year.

The fair values of listed investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using measurement techniques which include the use of recent transactions between knowledgeable willing parties relating to other instruments which are substantially identical and the analysis of discounted cash flows. In the event that none of the techniques mentioned above may be used to estimate fair value, the investments are stated at their acquisition cost less any impairment losses.

e) Equity investments in group companies, jointly-controlled entities and associates: this category includes investments in the capital of group companies, jointly-controlled entities and associates. They are stated at cost less, where appropriate, accumulated value adjustments for impairment. At year end, the company evaluates whether there is objective evidence that the book value is not recoverable by making the appropriate evaluatory corrections for the difference between their book value and recoverable amount. Unless better evidence is available of the recoverable amount, when estimating the impairment of these investments, the investee's equity is taken into account, adjusted for any latent capital gains existing at the measurement date. The value adjustment and, if appropriate, its reversal, are reflected in the income statement for the year in which they arise.

f) Available-for-sale financial assets: This category includes debt securities and equity instruments that are not classified in any of the above categories. They are measured at fair value and any changes are recorded in equity until the asset is disposed of or is impaired, at which time accumulated gains and losses are taken to the income statement provided that such fair value can be determined. Otherwise, they are reflected at cost less impairment.

Financial assets with maturity under 12 months as of the date of the balance sheet are classified as current while those with maturity over this period are classified as non-current.

Financial assets are written off when substantially all the risks and rewards attaching to ownership of the asset are transferred Specifically, for accounts receivable this situation is generally understood to arise if the insolvency and default risks have been transferred.

Assets designated as hedged items are subject to the measurement requirements of hedge accounting (Note 4.10).

4.5 Inventories

Inventories cover the cost of building real estate assets aimed for sale, in addition to the cost of certain materials pending attribution to projects. Also included are costs for presentation of bids when it is likely or known that the contract will be won or when it is known that these costs will be reimbursed or included in the income from the contract. Inventories are stated at the lower of cost and net realisable value. The cost is calculated at acquisition or direct production cost. The cost of inventories includes design costs, raw materials, direct labour, other direct costs and manufacturing overhead (based on normal operating capacity) but excludes interest costs. The net realisable value is the estimated selling price in the ordinary course of business, less applicable variable cost of sales.

4.6 Cash and cash equivalents

Cash and cash equivalents include petty cash, bank deposits, other short term investments with major liquidity with original maturity of 3 months or less not subject to significant changes. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. The company has no bank overdrafts at 31 December 2008.

4.7 Equity

Share capital consists of ordinary shares. The costs of issuing new shares or options are recognised directly in equity as a reduction in reserves.

In the event that the Company's acquires treasury shares, the price paid, including any directly attributable incremental cost, is deducted from equity until the treasury shares are redeemed, reissued or sold. When treasury shares are subsequently sold or reissued, any amount received is taken to equity net of directly attributable incremental costs.

4.8 Financial liabilities

Financial liabilities are classified, for the purposes of their evaluation, into the following categories:

a) Creditors and payables: those liabilities that arise because of the sale of goods and provision of services for corporate business transactions. Also included in this category are creditors for non-commercial operations which—not being equity instruments or derivatives—do not have a commercial origin. Payables are initially recognised at fair value, adjusted for directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method. In spite of the above, payables falling due in less than one year without a contractual interest rate are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

b) Financial liabilities held for trading and other financial liabilities at fair value through profit or loss
All those liabilities held for trading issued to be repurchased in the short term or that form part of a financial instrument portfolio, identified and managed jointly to obtain short-term gains, are considered financial liabilities at fair value through profit or loss together with the financial liabilities designated by the Company upon initial recognition for inclusion in this category for the purposes of a fairer presentation. Derivatives are also classified as held for trading provided that they do not relate to a financial guarantee contract and have not been designated as a hedge (Note 4.10).

These financial liabilities are measured at both initial recognition and subsequent measurement at fair value and any changes in that value are reflected in the income statement for the year. Transaction costs directly attributable to the issue are recognised in the income statement in the year in which they arise.

Financial assets with maturity under 12 months as of the date of the balance sheet are classified as current while those with maturity over this period are classified as non-current.

A financial liability is written off when the corresponding obligation has expired.

4.9 Grants received

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

Government grants related to costs are deferred and recognised in the income statement over the period necessary to match them to the costs intended to be offset.

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

4.10 Financial derivatives and hedge accounting

Financial derivatives are recognized initially at their fair value at the date the relevant agreement is concluded and subsequently they are adjusted to fair value. Recognizing the gain or loss resulting from fluctuations in fair value in each year depends on whether or not the derivative is designated as a hedging instrument and, if this is the case, the nature of the hedged item, The Company designates certain derivatives as:

a) Fair value hedges: Changes in the fair value of derivatives that are designated and qualify as fair value hedges are reflected in the income statement together with any changes in the fair value of the asset or liability hedged that are attributable to the hedged risk.

b) Cash flow hedges: the company documents upon commencement of the transaction the relationship between hedge instruments and the entries hedged, in addition to the aim of their risk management and strategy to undertake different hedge operations.

The efficient part with respect to changes in fair value of the derivatives designated and classed as cash flow hedges is recognised in equity. The profit or loss corresponding to the non-efficient part will be immediately recognised in finance income in the income statement. The accumulated amounts in equity are transferred to the income statement in the year in which the entry hedged affects the result. 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 hedging transaction ceases to comply with the requirements for the application of hedge accounting, the gains or losses in equity to that time will continue forming part of the same and will be recognised when the transaction advanced is finally recorded in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

In the case of financial derivatives not designated as hedging instruments, or which cannot be designated as such, the fluctuations in fair value at each valuation date are recognized as revenue or an expense in the profit and loss account.

4.11 Current and deferred taxes

Income tax expense (income) is that amount of income tax that accrues during the period. It includes both current and deferred tax expense (income).

Both current and deferred tax expense (income) is recognised in the income statement. However, the tax effect of items recorded directly in equity is recognised in equity.

Assets and liabilities for current taxation will be evaluated with the amounts expected to pay or recover from the tax authorities, in accordance with prevailing regulations on the year end date. Financial assets and liabilities for deferred taxation are evaluated without considering the effect of discount.

Deferred income tax is calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

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

A liability for deferred taxation is recognised for all taxable temporary differences.

However, if the deferred tax arises from the initial recognition of a liability or an asset on a transaction other than a business combination that at the time of the transaction has no effect on reported or taxable results, they are not recognised.

The deferred tax is determined applying tax regulations and rates approved or about to be approved at the balance sheet date and which are expected to be applied when the corresponding deferred tax asset is realised or deferred tax liability is settled.

Técnicas Reunidas, S.A. is taxed under the tax consolidation system with determined group companies.

4.12 Provisions and contingent liabilities

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

Provisions are recorded at the best estimate of the liability payable by the Group, bearing in mind the effects of exchange rate fluctuations for those denominated in foreign currency and the value of money over time, if the effect is significant.

A contingent liability is a potential obligation arising from past events, the materialisation of which is dependent on the occurrence or non-occurrence of one or more future events beyond the

Company's control. Such contingent liabilities are not reflected for accounting purposes and a breakdown is presented in the notes to the annual accounts (Note 27).

4.13 Revenue recognition

Ordinary revenue includes the fair value of counterprovisions received or pending receipt for the sale of goods and services during the ordinary process of company activities. Ordinary revenue is presented net of value added tax, reimbursements, sales and discounts. The Company recognises revenue when the amount may be reliably estimated, it is likely that the future economic benefits will flow to the Company and the specific conditions are fulfilled for each activity, as described below. A reliable calculation of the amount of revenue is not deemed possible until all sale-related contingencies have been resolved. The Company's estimates are based on historical results, taking into account customer type, transaction type and specific terms.

Administration contracts: Sales of services referred to administration agreements and are recognized in the financial year in which the services are rendered based on an extent-of-execution basis referenced to the actual service 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 profit from any agreement cannot be reliably estimated, the relevant revenues are recognized only up to the limit of the costs incurred on the agreement that are likely to be recovered. When the profit from any agreement may be reliably estimated and it is likely that it will be profitable, the revenues are recognized over the term of the agreement. The revenue recognition criteria for turnkey engineering agreements varies based on the estimate of profit from the agreement. When it is likely that the agreement cost will exceed the total revenues obtained, the expected loss is immediately recognized as an expense.

The Group uses the percentage completed method to calculate the adequate amount to be recorded in any certain period. The expense of completion is calculated by referencing the agreement costs incurred at the balance sheet date expressed as a percentage of the total estimated cost for each agreement. The costs incurred during the year with respect to future agreement activities are excluded from the agreement costs used to determine the percentage of completion.

Revenues from agreements originating from claims made by the Group against customers or from changes in the scope of the project concerned are included as revenue from the agreement when they are approved by the final customer or when it is likely that the Group will receive resources.

The Group presents as a receivable the gross amount owed by customers for all work performed under current agreements for which the costs incurred plus recognized profits (less recognized losses) exceed the amount of partial invoices.

The Group presents as a liability the gross amount owed by customers for all work performed under current agreements for which the partial invoices exceed the costs incurred plus recognized profits (less recognized losses).

The costs related to the presentation of bids for instruction contracts in Spain and abroad are expensed in the profit and loss account at the time and incurred when it is not likely or it is not known at the date incurred that the contract will be awarded to the Group. The costs for presenting bids are included in the cost of the contract when it is likely or known 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.

Interest income

Interest income is recognised using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

4.14 Foreign currency transactions

Functional and presentation currency

The annual accounts are presented in euros, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the transaction dates.
Foreign currency gains and losses resulting from the settlement of transactions and translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement, except when deferred in equity in accordance with hedge accounting.

4.15 Employee benefits

a) Pension commitments

The company holds obligations with employees by means of defined-contribution pension plans. A defined-contribution pension plan is one under which the company makes set contributions to a separate entity and does not have any legal, contractual or implicit obligation to make contributions additional to that of the entity. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense as and when they accrue. The Company recognises a liability in respect of the contributions to be made when at the year end there are accrued contributions not paid.

c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these 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 are not going to be paid within 12 months of the balance sheet date are discounted at present value.

4.16 Leases

Finance leases

Leases of property, plant and equipment in which the Group holds substantially all the risks and advantages deriving from the ownership of the assets are classified as finance leases. Finance leases are recognised at the start of the contract at the lower of the leased asset's fair value and the present value of the minimum lease payments.

Each payment for lease is distributed between the reduction in debt and the finance charge. The total finance charge is distributed over the period of the lease and is attributed in the income statement for the year in which it accrues. The payment obligation deriving from the lease, net of the financial charge, is recognised under long-term payables, except for those maturing in less than 12 months. PPE acquired under finance lease contracts is amortised during the useful life of the asset or duration of the contract, whichever of the two is less.

Operating leases

Leases in which the lessor retains a substantial part of the risks and advantages deriving from ownership are classified as operating leases. When the company is a lessor, payments for operational lease (net of any incentive received by the lessee), are charged to the income statement linearly during the period of the lease.

4.17 Group companies and associates

For the purposes of presentation of the annual accounts, it will be understood that another company forms part of the group when these are bound by a control relationship. Control is presumed to exist when the shareholding exceeds 50% of the voting rights or, if less, if other reasons or events demonstrate the existence of control.

Associates are all companies over which the Group exercises significant influence but does 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 exercising of significant influence.

4.18 Joint ventures

a) Joint ventures and consortiums

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 joint venture.

4.19 Business combinations

The Company recognises the investment in respect of business combinations resulting from the acquisition of shares or shareholdings in the capital of a company in the manner provided for investments in the capital of group companies, jointly-controlled entities and associates (Note 4.4).

4.20 Related-party transactions

In general, transactions between group companies are initially accounted for at their fair value and dealing with the economic reality of the transaction. Subsequent evaluation is performed in accordance with the aforementioned evaluation rules.

4.21 Cash flow statement

The following expressions are used in the cash flow statement:

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

- Cash flows from operating activities: payments and amounts collected from typical corporate activities in addition to other activities that cannot be classified as investment or financing.

- Cash flows from investment activities pagos y cobros que tienen su origen en adquisiciones y enajenaciones de activos no corrientes.

- Cash flows from financing activities payments and amounts collected from the placement and cancellation of financial liabilities, equity instruments or dividends.

5. Financial risk management

5.1 Financial risk factors

a) Market risk

a.1) Foreign exchange risk

The Group operates in the international arena and therefore it is exposed to currency risks on transactions denominated in foreign currency, particularly the US dollar or, to a much lesser extent, to currencies tied to the $US. There are less residual risks with suppliers in other currencies (mainly yen or sterling). Foreign exchange risk affects future commercial transactions and recognised assets and liabilities.

To control the currency risk that derives from future transactions and recognised assets and liabilities, Group companies use term agreements, in accordance with the hedging policy in place negotiated by the Group treasury area. Currency risk arises when the future transactions and recognised assets and liabilities are denominated in a currency other than the Company's operating currency. The Group treasury area is responsible for managing the net foreign currency position using external term foreign currency contracts. In addition, the company tries to cover exchange rate risk by agreeing "multicurrency" contracts with the customer, breaking down the sales price in the different currencies for the costs foreseen and maintaining expected margins in euros.

The risk management policy of the company is to cover the majority of transactions foreseen with the certainity that they are known (mainly sales net of costs in currencies other than the euro) in each one of the main currencies during the entire foreseen project period. In each new project with a currency risk contract the percentage of the risk to be hedged changes with respect to forecast sales in each of the major currencies. These hedges are classified as highly likely forecast transactions for hedge accounting purposes.

By the type of company transaction, it is most habitual to contract transactions with customers in $US while it is habitual for costs to correspond to difference currencies mainly including $US. If at 31 December 2008 the euro had depreciated/appreciated by 10% with regard to the $US, the remaining variables staying constant, EBIT would have been 18,162/14,859 euros more/less mainly as a result of the profit/(loss) generated by the revaluation/devaluation of the $US positions.

Equity, if the euro had depreciated/appreciated by 10% would have been 3,417/2,885 thousand euros less/more; these equity effects were estimated considering the aforementioned variations and estimated variations in financial hedge derivatives with effect on the equity reserve (without considering the tax effect).

a.2) Price risk

The company is exposed to the risk of the price of equity instruments. The aforementioned exposure to risk is limited due to the fact that investments held with the group and classified in the consolidated balance sheet at fair value with changes in income are irrelevant (Note 11). 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 efficiently transferred to 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 General Management, which basically consist of accelerating or slowing the rate of placements and selecting the currencies and countries of origin. Another mechanism used to mitigate this risk consists of the use of contracting models that enable part of the price being used to cover possible deviation in costs.

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

The company generally ensures that projects in which it participates are self financed. It establishes invoicing and payment deadlines with customers that cover the payment periods agreed with suppliers. Es por ello que la posición de Tesorería neta es positiva por un importe significativo. As a result there is no relevant interest rate risk.

Exposure to variable interest rate risk at year end is set out below:

			Thousand euros
	Euribor referenced	**Other references**	**Total**
Borrowings (Note 21)	(20,167)	(8,346)	(28,513)
Cash and cash equivalents that accrue interest (Note 15)	211,981	76,074	288,055
Net position	**191,814**	**67,728**	**259,542**

b) Credit risk

Management of credit risk by the company is carried out by considering the following group of financial assets:

- Derivative financial instruments (Note 13)
- Balances for different items included in cash and cash equivalents (Note 15).
- Balances related to trade receivables and payables (Note 12).

Derivative financial instruments and transactions with financial entities included as cash and cash equivalents are contracted with financial entities of recognised prestige and with high credit rating. In case of investments in bonds and "repo" transactions on these assets, these are also referred to governments with high credit ratings.

In relation to balances of trade receivables and payables it is worth mentioning that, due to the characteristics of the business, there is a high concentration based on the most significant company projects. These counterparties are generally state or multinational oil companies in addition to large Spanish groups that work in the energy business.

In addition to the analysis performed prior to contracting, there is periodic follow up of the overall trade receivables and payables position as well as an individual analysis of the most significant exposures (including the aforementioned type of entities).

c) Liquidity risk

The prudent management of the liquidity risk entails holding sufficient cash and negotiable securities, as well as available financing through sufficient credit facilities and the capacity to settle market positions. Given the dynamic nature of the underlying businesses, the Group's Treasury Department has the objective of maintaining flexible financing through available credit facilities.

The management carries out follow up of liquidity reserve forecasts based on expected cash flows. Due to the aim of self financing of the aforementioned projects, net cash flow positions are extremely positive. In addition, the company has credit lines that provide additional support to the liquidity position. For this reason it is considered that the liquidity risk in the company is low. Set out below are details of relevant information on liquidity:

	Thousand euros
Bank loans and overdrafts (Note 21)	(28,513)
Cash and cash equivalents (Note 15)	288,055
Net cash flow position	259,542
Unused credit lines (Note 21)	29,933
Total liquidity reserves	**289,475**

The table below sets out an analysis of the Company's financial instruments that will be settled at the gross amount, grouped together by maturity, on the basis of the periods remaining at the balance sheet date to the contract maturity. The amounts set out in the table relate to the cash flows stipulated in the contract without discounting. Balances payable within 12 months are equivalent to their carrying values since the effect of discounting is not significant.

Thousand euros	**Less than one year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**More than 5 years**
At 31 December 2008				
Borrowings	15,295	660	2,942	9,616
Derivative financial instruments	14,282	13,648	-	-
Trade payables	1,211,813	-	-	-
Unaccrued interest to pay	891	1,033	1,299	1,981
Total	**1,242,281**	**15,341**	**4,241**	**11,597**

The management of liquidity risk is carried out in a joint and centralised way by the Group’s Treasury Department. This management includes both management of cash flow from recurrent operation of the Group’s entities (analysis and follow up of maturity of debts and collection of loans, renewal and contracting of loan policies, management of available credit lines, temporary placement of cash flow surpluses), as well as management of the necessary funds to make planned investments.

5.2. Fair value estimation

Fair value is the amount at which a financial instrument is exchanged between educated parties in a transaction under normal market conditions.

The fair value of financial instruments listed on active markets is based on year end market prices.

The fair value of financial instruments that are not traded in an active market is determined by using measurement techniques. The Group mainly uses valuation techniques applying information from recent transactions carried out in accordance with the market conditions existing for similar instruments and a discount of estimated cash flows. Other techniques, such as estimated discounted cash flows, are used to determine fair value for other financial instruments.

It is assumed that the book value less the provision for impairment of accounts payable is approximately the same as the fair value. The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

6. Intangible assets

Set out below is an analysis of “Intangible assets” showing movements:

	Thousand euros			
	Assets under constructio n	**Patents, licences and trademarks**	**Software**	**Total**
Balance at 01.01.08				
Cost	18,386	-	4,998	23,384
Accumulated amortisation	-	-	(3,263)	(3,263)
Carrying value	**18,386**	**-**	**1,735**	**20,121**
Additions	6,556	13	793	7,362
Disposals	-	-	-	-
Depreciation charge	-	-	(670)	(670)
Balance at 31.12.08				
Cost	24,942	13	5,791	30,746
Accumulated amortisation	-	-	(3,933)	(3,933)
Carrying value	**24,942**	**13**	**1,858**	**26,813**

Intangible assets underway refer to the cost of construction of different assets (car parks and others) where the company has received a concession for the operation of these goods for a determined period. At the end of the concession period the asset will revert in full to the granting authority. The Group will amortize the recognized asset during the term of the concession.
Concessions have not entered into operation at 31 December 2008. Concession periods once entered into operation are set between 30 and 75 years.

During 2008 financial expenses arising from borrowings obtained specifically for the construction of concessional assets have been capitalised. These financial expenses stand at 1,472 thousand euros.

The item Computer software records the ownership and user rights for computer software acquired from third parties.

At 31 December 2008, the value of intangible assets included in the balance sheet and fully amortised stands at 4,563 thousand euros.

7. Property, plant and equipment

Set out below is an analysis of “Property, plant and equipment” showing movements:

	Land and buildings	Plant and other PPE	Total
			Thousand euros
Balance at 01.01.08			
Cost	549	22,324	22,873
Accumulated amortisation	(308)	(10,367)	(10,675)
Carrying value	**241**	**11,957**	**12,198**
Additions	-	9,509	9,509
Disposals	-	(123)	(123)
Depreciation charge	(10)	(2,824)	(2,834)
Balance at 31.12.08			
Cost	549	31,710	32,259
Accumulated amortisation	(318)	(13,191)	(13,509)
Carrying value	**231**	**18,519**	**18,750**

a) Losses because of impairment

During 2008, no significant impairment adjustments to individual property, plant and equipment were recognised or reversed.

b) Property, plant and equipment located abroad

At 31 December 2008 the value of property, plant and equipment located abroad stands at 335 thousand euros and its accumulated amortisation is 293 thousand euros.

c) Fully amortised assets

At 31 December 2008, the value of property, plant and equipment included in the balance sheet and fully amortised stands at 7,673 thousand euros.

d) Assets under finance lease

The item “Plant and other” includes the following amounts relating to machinery being acquired by the Company under a finance lease:

	Thousand euros
Capitalised finance lease cost	3,933
Accumulated amortisation	(2,069)
Carrying value	**1,864**

Finance lease agreements entered into by the company mainly relate to the acquisition of computer equipment. These contracts have an average duration of 3 years.

e) Assets under operational lease

The income statement includes expenses for operational lease corresponding to the rental of offices for 31,835 thousand euros.

f) Insurance

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

8. Analysis of financial instruments

8.1 Analysis by category

The carrying value of each category of financial instruments set out in the standard on accounting and measurement of financial instruments, except for investments in the equity of group companies, jointly-controlled entities and associates (Note 9), is as follows:

a) Financial assets:

					Thousand euros
At 31 December 2008	**Available for sale (Note 10)**	**Fair value with changes in income (Note 11)**	**Loans and receivables**	**Hedging derivatives (Note14)**	**Cash and cash equivalents**
Equity instruments	192	-	-	-	-
Derivatives	-	-	-	5,834	-
Other financial assets	-	´-	2,662	-	-
Non-current	**192**	**-**	**2,662**	**5,834**	**-**
Equity instruments	-	13,428	-	-	-
Derivatives	-	-	-	3,345	-
Other financial assets	-	-	954,140	-	288,055
Current	**-**	**13,428**	**954,140**	**3,345**	**288,055**

b) Financial liabilities:

At 31 December 2008	Thousand euros Débitos y Creditors and payables	 Hedging derivatives (Note 13)
Bank loans and overdrafts (Note 21)	16,062	-
Derivatives	-	13,648
Other financial liabilities	932	
Non-current	**16,994**	**13,648**
Bank loans and overdrafts (Note 21)	12,451	-
Derivatives	-	14,282
Other financial liabilities	1,226,535	-
Current	**1,238,986**	**14,282**

8.2 Analysis by maturity

The maturity dates of financial instruments are broken down in the corresponding notes.

9. Shares in group companies, jointly-controlled entities and associates

The breakdown of investments in group companies, jointly-controlled entities and associates is set out below:

	Thousand euros
Other	33,739
Other financial assets	45,520
Current	**79,259**
Equity instruments	38,876
Non-current	**38,876**

Current

The balance of loans in group companies covers 17,146 thousand euros related to balances for tax effect corresponding to corporate tax quotas for each one of the subsidiaries that comprises part of the consolidated tax group (See note 24). The remaining balance corresponding to commercial loans with group companies, jointly-controlled entities and joint ventures mainly related to engineering services.

The balance of other financial assets covers 38,500 thousand euros corresponding to dividends pending collection from group companies.

There are no significant differences between the carrying amount and the fair value for loans to group companies and other financial assets.

Non-current

This corresponds to the shareholding in group companies, jointly-controlled entities and associates.

Dividends received total 44,598 thousand euros and are reflected as revenue in the income statement (Note 26).

The following changes in shareholdings occurred in 2008.

- The companies Técnicas Reunidas Hellas, Técnicas Reunidas Netherlands, TR De Construcao and Técnicas Reunidas Australia Pty Ltd, were incorporated whose main aim is the performance of engineering services and project management. The aforementioned companies had no activity over the year.

- The subscription of shares and disbursement of increased capital of the company Green Fuel Corporación, S.A., took place in November 2008 of which Técnicas Reunidas, S.A. had a shareholding of 20.93% at year end 2007, by means of the non-monetary contribution of shares from the companies Green Fuel Aragón, S.A. and Green Fuel Internacional, S.A., of which Técnicas Reunidas, S.A. had a shareholding of 20.84% and 26.00% respectively at year end 2007. The shareholding of Técnicas Reunidas, S.A. in Green Fuel Corporación, S.A. increased to 25.07% after this transaction.

- During September 2008 the shares of one of the partners of the company Ibérica del Espacio, S.A., in which Técnicas Reunidas, S.A. had a shareholding of 20.71% at year end 2007, to the remaining shareholders, were sold. The shareholding of Técnicas Reunidas, S.A. in Ibérica del Espacio, S.A. increased to 45.74% with this purchase.

The details of the shareholdings in group companies, jointly-controlled entities and associates is set out below:

Company	Registered	Activity	Part. Direct	Carrying amount	Equity (Thousand of Euros) Capital	Reserves	Results
Comercial Técnicas Reunidas, S.L.	MADRID	COMMERCIAL PROMOTION	100.00%	-	3	-	-
Técnicas Reunidas Internacional, S.A.	MADRID	ENGINEERING SERVICES	100.00%	120	120	3,941	499
Termotécnica, S.A.	MADRID	MACHINERY WHOLESALER	99.98%	300	781	1,181	(439)
TR Construcción y Montaje S.A.	MADRID	REAL ESTATE PROMOTION	100.00%	150	332	1,223	(65)
Técnicas Reunidas Ecología, S.A.	MADRID	ENGINEERING SERVICES	100.00%	120	120	2,084	(553)
Técnicas Reunidas Metalúrgicas, S.A.	MADRID	ENGINEERING SERVICES	100.00%	60	120	289	858
Técnicas Reunidas Trade Panamá, S.A.	PANAMA	COMMERCIAL PROMOTION	100.00%	46	46	34	2
Española de Investigación y Desarrollo, S.A.	MADRID	ENGINEERING SERVICES	100.00%	438	90	554	612
TR Proyectos Internacionales, S.A.	MADRID	PROMOTION AND CONTRACTING	100.00%	421	1,503	496	461
Técnicas Reunidas Venezuela	CARACAS	COMMERCIAL PROMOTION	100.00%	9	9	-	-
Layar, S.A.	MADRID	CORPORATE MANAGEMENT	100.00%	6,728	1,085	3,276	482
Initec Plantas Industriales, S.A.	MADRID	ENGINEERING SERVICES	100.00%	4,613	6,600	70,570	93,002
Initec Infraestructuras, S.A.	MADRID	ENGINEERING SERVICES	100.00%	1,322	1,800	4,297	909
Técnicas Reunidas Ecuador	QUITO	ENGINEERING SERVICES	100.00%	4	3	-	-
Técnicas Reunidas Gulf L.T.D.	YEDAH	ENGINEERING SERVICES	75.00%	11,415	550	14,113	(2,836)
ReciclAguilar, S.A.	MADRID	ENGINEERING SERVICES	80.00%	126	60	(113)	(72)
Técnicas Reunidas Hellas	ATHENS	ENGINEERING SERVICES	100.0%	60	-	-	-
Técnicas Reunidas Netherlands	THE HAGUE	ENGINEERING SERVICES	100.00%	18	-	-	-
TR De Construcao	LISBON	ENGINEERING SERVICES	100.00%	5	-	-	-
Técnicas Reunidas Australia Pty Ltd	MELBOURNE	NO ACTIVITY	100.00%	-	-	-	-
Total shareholding in group companies				**25,955**			
Heymo Ingeniería, S.A.	MADRID	ENGINEERING SERVICES	39.98%	517	903	4,522	3,020
Layar Castilla, S.A.	MADRID	REAL ESTATE PROMOTION	25.39%	565	685	1,071	(42)
Empresarios Agrupados, A.I.E.	MADRID	CORPORATE SERVICES	42.48%	69	162	588	-
Empresarios Agrupados Internacional, S.A.	MADRID	CORPORATE SERVICES	42.48%	264	1,202	3,249	1,095
KJT Engehnaria Materiais	MADEIRA	ENGINEERING SERVICES	33.33%	-	5	444	4,640
Damietta Project Management Co.	LONDON	ENGINEERING SERVICES	33.33%	1	1	135	-
Damietta LNG Construction	DAMIETTA	ENGINEERING SERVICES	33.33%	1,415	33,517	(25,987)	(3,213)
Ibérica del Espacio	MADRID	ENGINEERING SERVICES	45.73%	1,055	2,240	830	(188)
Green Fuel Corporación	SANTANDER	PROJECT EXECUTION STUDY	25.07%	3,487	121	14,353	(1,544)
TR Ensol s.a.	MADRID	ENG. SERVICES/PROJECT IMPLEMENTATION	50,00%	52	104	22	334
Proyectos Ebramex, S. de R.L. de C.V. (*)	Mexico City	ENGINEERING SERVICES	33.33%	2,605	21,639	(2,525)	(17,400)
Minatrico, S. de R.L. de C.V.	Mexico City	ENGINEERING SERVICES	33.33%	2,891	41,289	(4,199)	(35,433)
Total shareholding in jointly-controlled entities and associates				**12,921**			
Total				**38,876**			

During 2008 losses due to impairment for the amount of 20,036 thousand euros occurred. Recognition of impairment of the aforementioned investments has been included in “Impairment of financial instruments” in the income statement (Note 26). Accumulated impairment at 31 December 2008 stands at 34,323 thousand euros.

None of the companies quotes on the stock exchange.

10. Available-for-sale financial assets

The balance of financial assets available for sale is mainly comprised of small minority investments in entities that do not quote on any active market and where the group has no significant influence. Due to the fact that these items consist of residual investments in small companies within the Group and the impossibility of applying evaluation techniques, these investments are presented at acquisition cost.

11. Financial assets at fair value through profit or loss

This heading includes the following items and amounts:

	Thousand euros
Investments in short-term fixed income securities	9,749
Investments in short-term equities	3,679
	13,428

Changes in the fair value of other financial assets at fair value through profit and loss are recorded under net financial interest and expense in the income statement.

Financial assets at fair value with changes in the income statement represent investments in quoted variable income and investments in short term fixed income funds. Their fair value at 31 December 2008 has been determined with reference to the quote value at end of year.

12. Trade and other receivables

	Thousand euros
Trade receivables for sales and services rendered	817,895
Trade receivables, group companies and associates	89,408
Sundry receivables	45,460
Loans to employees	853
Current tax expense	2,176
Public Administrations – Other	12,785
	968,577

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

The customer accounts includes 553,720 thousand euros for executed work pending certification which is calculated following the criteria established in Note 4.13.

At 31 December 2008 no losses for impairment of accounts payable to customers have been incurred. The amount of the provision stood at 923 thousand euros at 31 December 2008. The movement of the provision for losses due to impairment in the value of accounts payable to customers is set out below:

	2008
Opening balance	**1,554**
Appropriations	-
Reversal	(631)
Closing balance	**923**

The balance of matured but not impaired trade accounts at 31 December 2008 is 30,294 thousand euros which in the main corresponds to balances maturing within 6 months.

The remaining accounts included in “Loans and receivables” are not impaired.

The carrying values of trade receivables excluding the section corresponding to executed work pending certification, are denominated in the following currencies:

	2008
Euro	225,635
USD	37,388
Other currencies	1,152
Subtotal	264,175
Executed work pending certification	553,720
Total	**817,895**

13. Derivative financial instruments

The balances relating to financial derivatives at the end of 2008 are as follows:

	2008	
	Assets	**Liabilities**
Exchange forwards – cash flow hedges	8,543	22,105
Exchange forwards – fair value hedges	636	5,577
Foreign currency term contracts -held for trading negociación	**-**	248
Total	**9,179**	**27,930**
Less non-current portion		
Exchange forwards – cash flow hedges	5,834	13,648
Current portion	**3,345**	**14,282**

Details regarding maturity dates set out by year for the contracts in force at 31 December 2008:

	2008	2009	2010	2011	Total fair value
Total 2008 assets	-	3,345	5,834	-	**9,179**
Total 2008 liabilities	-	14,282	13,648	-	**27,930**

Derivatives held for trading are classified as a current asset or liability. The total fair value of a hedging derivative is classified as non-current assets or liabilities if the time remaining to maturity of the hedged item is more than 12 months and as current assets or liabilities if the time remaining to maturity of the hedged item is less than 12 months.

It is expected that highly likely hedged future transactions denominated in foreign currency will occur.

Profits and losses accumulated in equity of taxes for foreign currency forwards at 31 December 2008 stand at (9,123) thousand euros and these are recognised in the income statement in the period(s) during which the hedged transaction affects the income statement. This normally occurs within the twelve months following the date of the balance sheet.

The non-effective part recognised in the income statement for hedging of cash flow stands at 368 thousand euros.

a) Foreign currency forwards

The amounts of the main foreign currency forwards, mainly the sale of US dollars for Euros (net purchase of $US compared to sale of euros) pending at 31 December 2008 were 251,233 thousand $US, (9,101,938) thousand Japanese yen and (2,506,000) rubles.

14. Inventories

This heading includes the following items and amounts:

	2008
Current construction projects	5,794
Costs of presenting bids	3,642
Materials	70
Prepayments from suppliers	2,783
	12,289

The item construction projects underway covers the cost of development of various assets (mainly car parks) as described in Note 6 for the part aimed for sale. Due to their characteristics, a significant part of these assets has an implementation period that exceeds 12 months.

15. Cash and other cash equivalents

	Thousand euros
Cash at bank and in hand	86,240
Other cash equivalents	201,815
	288,055

This item includes cash (cash and bank deposits) and cash equivalents (that is, highly liquid short term investments easily convertible to determined cash amounts within a maximum period of 3 months and whose value is subject to an insignificant exchange risk).

The effective interest rate of short term deposits in banks was 3.85% (for deposits in euros) and 2% (for deposits in UDS) and the average period for maturity of these deposits is 10 days.

Of the total included in cash and cash equivalents at 31 December 2008, 257,100 thousand euros come from integration of joint ventures in which the company has a shareholding as detailed in Appendix I.

There is no cash or cash equivalent with restricted availability at 31 December 2008.

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

16. Capital and share premium

a) Capital

		Thousand euros		
	No. of shares	Ordinary shares	Share premium account	Total
Balance at 01 January 2008	55,896,000	5,590	8,691	14,281
Other movements	-	-	-	-
Balance at 31 December 2008	55,896,000	5,590	8,691	14,281

Documented capital is represented by 55,896,000 fully paid shares with a par value of € 0.10 each. All shares issued are fully disbursed and with the same political and economic rights. There are no restrictions on the free transfer of the shares.

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

	2008	
Shareholder	**No. of shares**	**% interest**
Aragonesas Promoción de Obras y Construcciones, S.L.	2,848,383	5.10%
Araltec, S.L.	21,795,284	38.99%
Banco Industrial de Bilbao	2,969,242	5.31%
Bilbao Vizcaya Holding	1,656,885	2.96%
BBVA Elcano Empresarial, SCR, S.A.	2,124,048	3.80%
BBVA Elcano Empresarial, SCR, S.A.	2,124,048	3.80%
Remaining shareholders (including floating capital)	20,796,975	37.21%
Treasury shares	1,581,135	2.83%
TOTAL	**55,896,000**	**100.00%**

b) Share premium account

This reserve is freely available for distribution.

c) Shares in own equity

As of 2008, the company started to operate with own shares. Own shares at 31 December 2008 represent 2.83% of share capital of the company and total 1,581,135 shares and an average acquisition price of 35.20 euros per share. The balance at 31 December 2008 is 55,644 thousand euros.

17. Reserves

a) Reserves

	Thousand euros
Legal and statutory:	
- Legal reserve	1,137
- Statutory reserve	66,466
	67,603

Legal reserve

This reserve, which is fully paid, may not be distributed to shareholders and may only be used to cover any losses should no other sufficient reserves be available. It may also be used to increase share capital under certain situations.

Statutory reserve

This reserve is freely available for distribution.

18. Profit/(loss) for the year

a) Proposal for the distribution of profits

The proposal to be presented to the General Meeting regarding the distribution of 2008 profit and loss is as follows:

Available for distribution	**Thousand euros**
Profit for the year	97,070
Total available for distribution	**97,070**
Distribution	
To retained earnings	27,003
To dividends	70,067
Total distribuciones	**97,070**

The composition of the amount consigned as dividends for 70,067 thousand euros is comprised of the following:

- 34,762 thousand euros approved as interim dividend by the Board of Directors of 15 December 2008 and made official on 21 January 2009.
- 35,035 thousand submitted for the approval of shareholders that will approve the annual accounts for 2008.

Set out below, in accordance with article 216 of the Spanish Companies Act, the provisional financial and cash flow statements to the date of distribution of interim dividends:

Provisional annual accounts	**Thousand euros**
Estimated profit from the year	85,486
Estimate of corporate tax	6,500
Maximum possible distribution	91,986
Proposed amount to distribute	35,000
Surplus	**56,986**
Liquidity of cash flow before payment	243,075
Amount of interim dividend	35,000
Remaining cash flow	**208,075**

19. Provisions

	Thousand euros
Long term employee benefit obligations (Note 20)	4,754
Other provisions	19,282
Non-current	**24,036**
Other provisions	8,218
Current	**8,218**

Provisions were made for an amount of 8,233 thousand euros in 2008. The provision was included in "Losses, impairment and change in commercial provisions" in the income statement (Note 25.d).

a) Other non-current provisions

This heading is analysed below:

	Thousand euros
Provision for job completion	13,898
Provision for estimated losses on jobs	1,610
Other provisions	3,774
Non-current	**19,282**

Provision for job completion:
Similarly, for those projects that are finished or substantially finished and, therefore, are in the warranty period or are close to being in the warranty period, the Group makes an estimate of probable costs that will be incurred during the warranty period and forms the relevant provision.

Provision for estimated losses on jobs:
The company constitutes provisions to cover future estimated losses of projects currently underway.

Other
This item relates to provisions formed to cover other liabilities and charges, including commitments to project partners, provisions for probable risks and provisions for other payments to be made in the long-term.

In relation to non-current provisions, given the characteristics of risks included, it is not possible to determine a reasonable calendar of payment dates.

b) Other current provisions

This corresponds to provisions constituted to cover other short-term risks and expenses.

20. Long-term employee benefit obligations

The detailed amounts recognised in the balance sheet for long term employee benefit obligations for different types of defined benefit undertakings that the company has contracted with its employees is the following:

	Thousand euros
Commitments in the balance sheet in respect of:	
Pension and retirement benefits	4,754
	4,754
Charges in the income statement in respect of:	
Pension and retirement benefits	749
	749

a) Pensions and retirement benefits

Pension and retirement obligations refer to commitments set out in the Collective Wage Agreement for some Group companies relating to retirement bonuses for employees that have worked for the number of years established by the Agreement at the date of retirement.
At 31 December 2008 there are no assets linked to the defined benefit commitments with employees.

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

	2008
Present value of the obligations at 1 January	4,214
Cost of the services for the current year	496
Interest costs	253
Benefits paid and expenses	(221)
Actuarial gains/(losses) recognised in equity	12
Liability in the balance sheet	**4,754**

The movement in the liability recognised in the balance sheet is as follows:

	2008
Opening balance	4,214
Expense debited to the income statement	749
Expense debited in equity for actuarial variations	12
Contributions paid	(221)
Closing balance	**4,754**

The amounts recognized in the profit and loss account are as follows:

	2008
Cost per current service (Note 25.c)	496
Cost of updating the provision (Note 26)	253
Total included in the income statement	**749**

The principal actuarial assumptions used are as follows:

	2008
Annual discount rate	5.25%
Annual salary growth	3.50%
Annual inflation	2.00%
Mortality	PERM/F 2000 Production
Retirement age	65 years

21. Non-current and current payables

	Thousand euros
Bank loans	16,062
Lease liabilities	932
Derivatives (Note 13)	13,648
Long-term payables	**30,642**
Bank loans	12,451
Derivatives (Note 13)	14,282
Other liabilities	34,818
Short-term payables	**61,551**

a) Debts with banks

The book value (both current and non-current) approximates to its fair value. Debts are mainly referenced to the Euribor and Libor with review periods of up to 6 months.

Details regarding maturity dates set out by year for the contracts in force at 31 December 2008:

	2009	2010	2011	2012	Total
Total	15,295	660	993	11,565	**28,513**

The book value of debts with banks is denominated in the following currencies:

	Thousand euros
Euros	20,152
US dollars and other currencies	8,361
	28,513

The average interest rates (all of which are variable) in the balance sheet were the following:

	2008	
	Euros	**US dollar**
Bank loans	4,5%	3,5%

The Company has the following unused credit lines:

Variable rate:	Thousand euros
– maturing in less than one year	3,440
– maturing in more than one year	26,493
	29,933

c) Other short term liabilities

Mainly covers the dividend of 34,762 thousand euros to pay (See Note 18)

22. Amounts owed to Group companies and associates

	Thousand euros
Group Companies	22,027
Associated undertakings	38,583
	60,610

Movements in the items making up this caption are as follows:

	Thousand euros
For engineering services	9,650
For short term loans	11,680
Other	697
Group Companies	**22,027**
For engineering services	16,023
For integration of joint ventures	22,560
Associated undertakings	**38,583**

Debts with group companies will accrue an average interest rate of 5.13% over the year.

23. Trade and other payables

	Thousand euros
Trade payables	813,789
Trade payables, group companies and associates	37,703
Sundry payables	22,548
Accrued wages and salaries	13
Payable to Public Administrations	20,096
Advance payments from customers	317,664
	1,211,813

There is no significant effect on fair values of suppliers and trade payables. Nominal values are considered to be an approximation of their fair value.

The carrying amount of trade payables in foreign currency is denominated in the following currencies:

	Thousand euros
US dollar	31,543
Other currencies	7,686
	39,229

24. Income tax and tax situation

On 30 September 1993 the Directorate General for Taxation granted the use of the Consolidated Tax System to the following companies: Técnicas Reunidas, S.A., Técnicas Reunidas Internacional, S.A., Termotécnica, S.A., Técnicas Reunidas Construcciones y Montajes, S.A., 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 incorporated into the consolidated declaration system. In 1998, the tax group was enlarged to include the Company Técnicas Reunidas Metalúrgicas, S.A. and in 1999 Layar, S.A., Layar Castilla, S.A. and Layar Real Reserva, S.A. joined the tax group. During 2003, Eurocontrol, S.A. and ReciclAguilar, S.A., were incorporated and Initec Plantas Industriales, S.A. and Initec Infraestructuras, S.A. were incorporated in 2005. During 2007, the company Layar Castilla, S.A. left the tax group.

Set out below is the reconciliation between net income and expense for the year and the income tax assessment base:

	Thousand euros					
	Profit and loss account			Income and expenses attributed directly to equity		
Income/expenses for the year		97,070	**97,070**		(9,952)	**(9,952)**
	Increases	Decreases		Increases	Decreases	
Corporate income tax		(9,366)	**(9,366)**	-	(3,648)	**(3,648)**
Permanent differences	430	124,987	**(124,557)**	-	1,440	**1,440**
Temporary differences:	6,403	221	**6,182**	-	-	**-**
Compensation of negative tax bases			**-**			**-**
Tax base			**(30,671)**			**(12,160)**

Income tax expense is analysed below:

	Thousand euros
Current tax	8,722
Deferred tax liability	644
	9,366

Deferred taxes generated for transactions charged or paid directly against equity in 2008 stand at 2,761 thousand euros.

The increases for permanent differences correspond to the following items:

	Thousand euros
Non-deductible expenses	430
	430

The decreases for permanent differences correspond to the following items:

	Thousand euros
Income from abroad Law 18/82	80,963
Deduction for double taxation	44,024
	124,987

This year corporate and other tax inspections of Técnicas Reunidas, S.A. commenced (2004-2008 and 2004-2007 respectively). To the date of preparation of these annual accounts we still do not know the income arising from inspection. However, it is not considered that significant liabilities will arise as a result of the inspections underway. Consequently, years 2004-2007 for corporate tax and 2005-2007 for the remaining taxes applicable may be considered as open to inspection.

Deferred taxes

	Thousand euros
Deferred tax assets	
- to be offset in more than 12 months	18,097
- to be offset in less than 12 months	-
	18,097
Deferred tax liabilities	
- to be offset in more than 12 months	164
- to be offset in less than 12 months	-
	164

Movements in deferred tax assets and liabilities are as follows:

	Assets	Liability
At 01 January 2008	**13,013**	**635**
Reversals	(1,489)	(635)
Appropriations	6,573	164
At 31 December 2008	**18,097**	**164**

Deferred taxes arise for the following items:

Deferred tax assets	**Thousand euros**
Tax credits for tax-loss carryforwards	3,414
Tax credits for deductions pending application	3,182
Tax credits leading to temporary differences:	
Hedging reserve	2,925
Provisions for liabilities and charges	8,576
	18,097

Deferred tax liabilities	**Thousand euros**
Hedging reserve	164
	164

Deferred tax assets in respect of tax losses available for offset are recognised insofar as the realisation of the relevant tax benefit through future tax profits is probable. The company holds recognised assets for deferred taxes for the amount of 3,414 thousand euros with regard to losses of 11,380 thousand euros to compensate in future years against tax benefits.

A breakdown of tax bases by year generated is as follows:

Year	Base	Tax payable	Available until
2007	341	103	2022
2008	10,406	3,121	2023
	10,747	**3,224**	

At 31 December 2008 the company has deductions pending application for the amount of 7,956 thousand euros. These deductions mainly derive from reinvestments, research and development expenses and exports. At 31 December 2008 the company has recognised an asset for 3,182 thousand euros on the aforementioned total; on the remaining part the company does not recognise the corresponding asset since it cannot assure its future use.

25. Income and expenses

a) Net revenues

Revenues from the Company's ordinary activities may be analysed geographically as follows:

Market	**Thousand euros**
Spain	519,543
European Union	127,882
OCDE	12,152
Other	790,505
	1,450,082

Similarly, the net turnover by category of activity is set out below:

Activity	**Thousand euros**
Oil & Gas	1,042,467
Power	342,655
Other	64,960
Total	**1,450,082**

a) Transactions denominated in foreign currency

Transactions carried out in foreign currency are as follows:

	Thousand euros
Sales	57,459
Purchases	17,195
Services received	43,648

c) Staff costs

	Thousand euros
Wages and salaries	114,984
Indemnities	430
Staff welfare expenses	24,748
Pension contributions (Note 20)	496
	140,658

The average number of employees during the year distributed by categories as well as the distribution of company personnel by sex at year end is set out below:

Category	Workforce media 2008	Workforce at 31.12.08		
		Female	Male	Total
Engineers and university graduates	1,289	415	997	1,412
Technical engineers, experts and graduate assistants	333	75	293	368
Administrative managers	59	20	45	65
Unskilled assistants	362	146	259	405
Clerical and other employees	330	167	198	365
	2,373	**823**	**1,792**	**2,615**

d) Other operating costs

Details of this item in the income statement for 2008 is set out below:

	Thousand euros
Services	168,392
Rent and royalties	35,449
Independent professional services	21,799
Transport	113
Repairs and maintenance	5,017
Insurance premiums	2,748
Banking and similar services	3,568
Other	29,388
External services	266,474
Taxes	3,221
Losses, impairment and change in commercial provisions (Note 19)	8,233
	277,928

26. Finance results

	Thousand euros
Finance income:	
Shares in equity instruments	
In group companies and associates (Note 9)	44,598
- Third parties	1,041
Marketable securities and other financial instruments	
Group and associated companies	238
From third parties	8,076
	53,953
Finance costs:	
Amounts owed to Group companies and associates	(2,290)
Debts with third parties	(93)
- Restatement of provisions (Note 20)	(253)
	(2,636)
Changes in fair value of financial instruments:	
Trading portfolio and other	(2,850)
	(2,850)
Net exchange differences	**(38)**
Impairment and losses on disposal of financial instruments	
Impairments and losses (Note 9)	(20,036)
Losses on disposals and other	2,341
	(17,695)
Finance results	**30,734**

27. Contingencies

a) <u>Contingent liabilities</u>

The company has contingent liabilities for bank guarantees and other guarantees related to the normal course of the business on which it is foreseen that no significant liability will arise, in addition to those cases by which provisions were made as mentioned in Note 19. During the normal course of activities and as is usual in engineering and construction companies, the company has provided guarantees to third parties for 713,247 thousand euros as a guarantee of appropriate compliance with contracts.

In accordance with the general contract conditions the Company and group companies are required to provide technical guarantees for the execution of work that may be formed in cash or through bank guarantees and must remain in place during a certain period.

b) <u>Commitments</u>

Fixed asset purchase commitments
There are no significant investment commitments relating to the purchase of assets at the balance sheet date.

Operating lease commitments
The Group rents several premises under irrevocable operating lease agreements. (See Note 7). These leases have variable terms, segment clauses and renewal rights. The Company is required to provide six month notice to terminate these agreements.

28. Joint ventures and consortiums

The company has shareholdings in joint ventures and consortiums as detailed in Appendix I. The amounts shown below represent the company shareholding according to the corresponding percentages for assets and liabilities and revenue and results of joint ventures. These amounts have been included in the balance sheet and income statement:

Assets:	**2008**
Non-current assets	29,055
Current assets	656,416
	685,471
Liabilities:	
Non-current liabilities	22,649
Current liabilities	452,229
	474,878
Net assets	**210,593**
Revenues	822,380
Expenses	730,252
Profit after taxes	**92,128**

There are no contingent liabilities corresponding to the shareholding of the company in joint ventures or contingent liabilities of joint ventures and consortiums.

29. Remuneration of the Board of Directors and senior management

a) Directors' compensation

Set out below is the overall remuneration received by company directors during the year ended 31 December 2008.

- Travel expenses for attendance at meetings of the Board of Directors, received by all members of the Board: 872 thousand euro.
- Wages and salaries: 634 thousand euro.
- Prepayments: 165 thousand euro.
- Life insurance premiums: 6 thousand euro.

b) Remuneration to senior managers

The total remuneration paid in 2008 to senior managers stands at 4,046 thousand euros.

c) Information required by art. 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:

- Mr. José Lladó Fernández-Urrutia is Chairman of Técnicas Reunidas Internacional, S.A.
- Mr. Juan Lladó Arburúa is Board Member 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 Board Member of Comité de Empresarios Agrupados A.I.E. All of these companies form part of Tecnicas Reunidas Group.
- Mr. Javier Gómez Navarro is a non-executive Board Member of Grupo Isolux Corsán, S.A.

30. Other related-party transactions

As indicated in Note 1, the company is the parent company of a group of companies. Transactions with related parties are as follows:

a) Transactions carried out with the Company's main shareholders

a.1) Transactions carried out with Banco Bilbao Vizcaya Argentaria Group (BBVA Group):

The company carries out transactions with Grupo BBVA only related to its banking activity under normal market commercial terms and conditions.

At 31 December 2008 the transactions were of the following nature and amounts:

	Thousand euros
Lines of credit	33,073
Used balances	1,970
Guarantees granted	379,245
Letters of credit	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 BBVA Group.

The company had also contracted hedges with Grupo BBVA mainly consisting of foreign currency forward transactions whose notional values stood at 61,401 thousand $US.

The profit and loss account for each period includes the costs and revenues related to the above-mentioned transactions, which were carried out under market conditions.

a.2) Transactions carried out with the remaining shareholders (except floating capital):

During 2008 the company did not carry out transactions with the remaining company shareholders.

b) Transactions carried out with Company Directors and Executives

Set out below are the details of transactions carried out with companies in which company board members are also board members or administrators:

Thousand euros	Trade receivables	Trade payables	Purchases	Sales
Cepsa Group	3,325	-	-	3,325
Tubos Reunidos	-	23	745	-
Schneider	-	43	149	-

The aforementioned operations are related to ordinary company business arising from execution of projects.

In addition, the transactions carried out with the SCH group where some of the company board members are also board members, are detailed below.

	Thousand euros
Lines of credit	10,000
Guarantees granted	267,377

The company had also contracted with Grupo SCH the implementation of foreign currency forwards whose interest-bearing securities stood at 34,446 thousand euros.

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 Grupo SCH.

Transactions carried out with Grupo SCH are only related to its banking activity under normal market commercial terms and conditions.

Note 29 also includes information related to remuneration paid to board members of Técnicas Reunidas, S.A. as well as to company managers.

c) Transactions carried out with group companies, jointly-controlled entities and associates

Set out below are the aggregate amounts of transactions with group companies, jointly-controlled entities and associated included in Note 9:

	Group companies	Jointly-controlled entities and associates
Services received	24,316	5,936
Finance costs	491	-
Total expenses	**24,807**	**5,936**
Provision of services	11,661	11,446
Finance income	155	-
Dividends received (Note 26)	44,598	-
Total income	**56,414**	**11,446**

Services received and rendered arise from normal company business transactions and have been carried out under normal market conditions.

31. Information on the 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.

32. Events after the balance sheet date

From the year end date to preparation of these annual accounts no significant events have occurred that have not been recorded in said annual accounts.

33. Audit fees

Fees accrued during the year by PricewaterhouseCoopers Auditores, S.L. for company account auditing services and other verification services stood at 176 thousand euros and 53 thousand euros respectively. Fees accrued during the year to other companies operating under the PricewaterhouseCoopers trademark for other services rendered to the Company amounted to 48 thousand euros.

APPENDIX I – JOINT VENTURES AND CONSORTIUMS IN WHICH THE COMPANY HAS A SHAREHOLDING

The joint ventures and consortiums integrated into these annual accounts are the following:

		Thousand euros	
Name	**% interest**	**Effect on sales**	**Effect on profit/(loss)**
UTE TR/I.P.I. FENOLES KAYAN	85%	152,188	30,356
UTE TR/I.P.I. OFFSITES ABUH DABIH	85%	383,830	26,207
UTE TR/IPI ELEFSINAS	85%	18,400	9,769
UTE INITEC/TR SAIH RAWL	15%	12,740	5,618
UTE TR/INITEC P.I. JV TR RABIGH DP	85%	23,589	4,190
UTE TR/IPI KHABAROVSK	15%	16,869	3,493
UTE TR/GDF CTCC PUERTO DE BARCELONA	50%	40,852	3,313
UTE INITEC/TR MEJILLONES	15%	9,692	2,256
UTE TR/IPI REFINERIA SINES GALP	85%	3,502	2,010
UTE TR/GDF CTCC BESOS	50%	39,377	1,561
UTE TR/GDF BARRANCO DE TIRAJANA	50%	14,013	1,546
UTE TR/INITEC INFRA CONSTRUCCI.PARCELA S	85%	2,833	1,142
UTE VALORIZA TR SS2	50%	15,997	980
UTE TR/ESPINDESA - PEL SINES	85%	578	578
UTE TR/INITEC INFRA CONS.PC.HUERCAL OVERA	85%	869	515
UTE TR/INITEC KJT PR. LNG	85%	439	439
UTE TR/INITEC INFRA CONS.COMP.LA VIÑA	85%	2,401	427
UTE TR/FERROVIAL LA PLANA DEL VENT	58%	155	378
UTE TR/I.P.I. C.P.BIO BIO	15%	1,207	280
UTE INITEC/TR RKF ARGELIA	15%	981	191
UTE TR/ESPINDESA - TR AKITA	85%	219	178
UTE HDT/HDK FASE II	15%	1,185	165
UTE TR/EUROCONTROL PROY.ASPPC	95%	(4)	162
UTE INITEC/TR PLANTAS HDT Y HCK	15%	122	135
UTE TR/TREC OPER.DESALADORA R.MORALES	50%	1,413	134
UTE TR/INITEC PROYECTO DGC CHILE	15%	60	117
UTE TR/SEG PROY.NT AENA	70%	114	114
UTE TR/SEG PORTAS	50%	76	80
UTE TR/CTCI JIANGSU SUMINISTROS	90%	79	35
UTE Hydrocracking	15%	1	34
UTE TR/ANETO RED NORTE OESTE	50%	70	19
UTE TR/GUEROLA CENTRAL TERMOSOLAR	50%	39	17
UTE TR/INTERCONTROL VARIANTE PAJARES	80%	125	15
UTE TR/CTCI GUANDONG EO/EG	90%	229	15
UTE ALQUILACION CHILE	15%	102	12
UTE MEIRAMA	14%	11	11
UTE TR/TECNORESIDUOS PT VALDEMINGOMEZ	90%	17	10

UTE HYDROCRACKER HUNGARY	15%	359	6
UTE TR/ALTAMARCA COMPLEJO LA VIÑA	80%	3,172	4
UTE TR/INPI/EMMSA MAGREB	8%	-	2
UTE TR/ARDANUY ALGECIRAS	70%	27	2
UTE INTEIN	33%	-	2
UTE BOBADILLA (CORDOBA TRAMO II)	50%	5	1
UTE TR/SENER PROYECTO HPP GEPESA	60%	364	-
UTE TR/ALTAMARCA PISCINA CUBIERTA	80%	955	-
UTE TR/ALTAMARCA/HMF C.ALCOBENDAS	34%	1,445	-
UTE TR/HEYMO/AEROPUESTOS DE PARIS	40%	28	-
INTG.UTE SON REU	50%	481	-
UTE TR/TRIMTOR EDAR LIBRILLA	50%	-	-
UTE TR/TT HORNOS RUSIA	95%	-	-
UTE PERIAO	50%	127	-
UTE TR/CTCI JIANGSU SERVICIOS	90%	-	-
UTE TR/KV CON.PL.Y URB.ZALIA	50%	234	-
UTE TR/SERCOAL EDIFICIO SERVICIOS MULTIPLES	50%	-	-
UTE TR/SERCOAL CENTRO DE DIA	60%	-	-
UTE TR/RTA VILLAMARTIN	50%	1	(1)
UTE TR/INITEC DAMIETTA LNG	85%	(4)	(4)
UTE TR/PYCSA CUEVAS DEL CAMPO	50%	-	(5)
UTE TR/TRIMTOR DEP.CAÑADA GALLEGO	50%	105	(7)
UTE TR/IONICS/TCOSA/CHSA DEP.OROPESA	25%	448	(11)
UTE TR/DF AS PONTES	50%	8,302	(27)
UTE TR/INITEC EBRAMEX INGENIERIA	51%	1	(31)
UTE TR/LOGPLAN A.T.AENA	55%	12	(100)
UTE TR/PAI URBANIZACION CALAFELL	55%	(105)	(111)
UTE INITEC/TR RKF ARGELIA	15%	2,442	(116)
UTE TR/SOLAER I.S.F. MORALZARZAL	90%	147	(147)
UTE INITEC/TR JU'AYMAH GPE	15%	771	(158)
CONSORCIO VIETNAM	20%	43,417	(178)
UTE TR/INITEC MINATRICO INGENIERIA	51%	264	(328)
UTE TR/ASFALTOSY CONS.APARCAM.ALCOBENDAS	50%	109	(359)
UTE TR/IONICS RAMBLA MORALES	40%	(780)	(437)
UTE TR/ESPINDESA	15%	1,053	(586)
UTE TR POWER	85%	9,571	(626)
UTE TR/INITEC JV HAWIYAH GPE	15%	5,058	(1,158)

INDIVIDUAL DIRECTORS' REPORT FOR 2008

Free translation of the consolidated annual accounts originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevail.

1. Evolution of the Business

2008 was yet another year of growth. 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.

The client base was reinforced by the addition of new companies (Hellenic Petroleum, Essent, MOL and Water Corporation) and an equal number of new markets (Greece, Holland, Hungary and Australia), which offer a great deal of potential for the Company to further diversify its income.

In 2008, Técnicas Reunidas was the recipient of some important projects in different lines of business, the most significant of these being two large refinery projects, three conversions of downstream projects commenced by service into turnkey projects, a regasification project, two combined cycles power plants and a 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 the high growth of the order book, closing the year with 2,615 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 concludes 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 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 most relevant events in 2008 were as follows:

- 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.

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

- In the last quarter, Técnicas Reunidas and Abu Dhabi Polymers Company Limited, Borouge, signed an agreement to convert the 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 into a turnkey project. The project includes the supply of all auxiliary systems and interconnections for the enlargement of the complex, called 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.

TR, 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) and the cumene unit for CEPSA in Huelva.

Energy

This business area has gradually been occupying a larger piece of 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 Company 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 Company'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 for 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.

INDIVIDUAL DIRECTORS' REPORT FOR 2008

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.

INDIVIDUAL DIRECTORS' REPORT FOR 2008

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 most important projects in this business area in 2008 included: 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.

2. Financial Indicators

TR prepares its annual accounts according to the applicable business laws and the standards established in the General Accounting Plan approved in Royal Decree 1514/2007.

In 2008, the net sales of Técnicas Reunidas rose to 1,450 million euro, maintaining the upward trend of previous years.

The operating income was 57 million euro, which is 3.93% of the sales figure.

Profits after taxes amounted to 97 million euros and accounted for 6.7% of sales.

3. Research and Development

TR 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.

INDIVIDUAL DIRECTORS' REPORT FOR 2008

4. 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 Company made some significant additions to its portfolio, primarily the areas of up-stream and natural gas.

5. 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.

6. 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.

7. 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.

8. Average Number of Employees by Category

Category:	2008	2007
Engineers and other professionals	1,289	1,078
Surveyors, specialists and qualified assistants	333	285
Administrative	59	45
Unqualified assistants	362	308
Other categories	330	270
TOTAL	2,373	1,986

9. The Environment

Given the lines of business in which the company operate, TR 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.

10. 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 y Construcciones	Direct	2,848,383	5.10%
Banco Bilbao Vizcaya Argentaria	Indirect	8,874,223	15.9%

11. 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.

12. 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.

13. 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).

14. 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.

15. 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.

16. 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 thousand euros.

17. Corporate Governance Report.

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

INDIVIDUAL DIRECTORS' REPORT FOR 2008