TÉCNICAS REUNIDAS, S.A.

Audit report on the annual accounts
as at 31 December 2010

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

AUDITOR'S REPORT ON THE ANNUAL ACCOUNTS

To the shareholders of Técnicas Reunidas, S.A.:

We have audited the annual accounts of Técnicas Reunidas, S.A., consisting of the balance sheet at 31 December 2010, the income statement, the statement of changes in equity, the cash flow statement and related notes for the year then ended. The company's directors are responsible for the preparation of these annual accounts in accordance with the financial reporting framework applicable to the entity (as identified in Note 2 to the accompanying annual accounts), and in particular, with the accounting principles and criteria included therein. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on the work performed in accordance with legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

In our opinion, the accompanying annual accounts for 2010 present fairly, in all material respects, the financial position of Técnicas Reunidas, S.A. at 31 December 2010 and the results of its operations and cash flows for the year then ended in accordance with the applicable financial reporting framework, and in particular, with the accounting principles and criteria included therein.

Without qualifying our opinion, we draw attention to Note 1 which indicates that the Company holds majority shareholdings in several companies. The accompanying annual accounts have not been prepared on a consolidated basis. On 28 February 2011 consolidated annual accounts were prepared for the group of companies on which we issued an unqualified opinion on 28 February 2011. These accounts reflect net equity totalling thousand euro 341,247, which includes profits for 2010 totalling thousand euro 97,932. 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).

The accompanying directors' Report for 2010 contains the explanations which the directors consider appropriate regarding the company's situation, 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 directors' Report is in agreement with that of the annual accounts for 2010. Our work as auditors is limited to checking the directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the company's accounting records.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Rafael Pérez Guerra
Partner

28 February 2011

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TÉCNICAS REUNIDAS, S.A.

Annual accounts for the year ended 31 December 2010
and 2010 Directors' Report

Contents of the annual accounts of Técnicas Reunidas, S.A.

Note	
	Balance sheet
	Income statement
	Statement of recognised income and expense
	Statement of changes in equity
	Statement of cash flows
	Notes to the financial statements
1	General information
2	Basis of presentation
3	Summary of significant accounting policies
	3.1 Intangible assets
	3.2 Property, plant and equipment
	3.3 Impairment losses on non-financial assets
	3.4 Financial assets
	3.5 Inventories
	3.6 Cash and cash equivalents
	3.7 Equity
	3.8 Financial liabilities
	3.9 Government grants
	3.10 Derivative financial instruments and hedging activities
	3.11 Current and deferred tax
	3.12 Provisions and contingent liabilities
	3.13 Revenue recognition
	3.14 Foreign currency transactions
	3.15 Employee benefits
	3.16 Leases
	3.17 Group companies and associates
	3.18 Joint ventures
	3.19 Business combinations
	3.20 Related-party transactions
	3.21 Statement of cash flows
4	Financial risk management
	4.1 Financial risk factors
	4.2 Capital risk management
	4.3 Fair value estimation
5	Intangible assets
6	Property, plant and equipment
7	Analysis of financial instruments
8	Shares in Group companies, jointly-controlled entities and associates
9	Financial assets at fair value through profit or loss
10	Trade and other accounts receivable
11	Derivative financial instruments
12	Inventories
13	Cash and cash equivalents
14	Capital and share premium
15	Reserves
16	Profit for the year
17	Government grants related to assets
18	Provisions
19	Non-current employee benefit obligations
20	Non-current and current borrowings
21	Borrowings from Group companies and associates
22	Trade and other payables
23	Income tax and tax matters
24	Income and expense
25	Finance income and finance cost
26	Contingencies
27	Temporary joint ventures (UTEs) and consortiums
28	Director and senior management compensation
29	Other related-party transactions

Note

30 Environmental disclosures
31 Events after the balance sheet date
32 Audit fees
Exhibit I: UTEs and consortiums in which the Company has shareholdings

TÉCNICAS REUNIDAS, S.A.
BALANCE SHEETS AT 31 DECEMBER 2010 AND 31 DECEMBER 2009
(Thousand euro)

		2010	2009
NON-CURRENT ASSETS		**129,570**	**116,021**
Intangible assets	Note 5	45,287	41,882
Property, plant and equipment	Note 6	19,570	17,804
Long-term Investments in Group companies, jointly-controlled entities and associates	Note 8	41,142	35,438
Long-term Financial assets	Note 7	7,028	2,871
Shares and non-current equity holdings		222	192
Loans to employees		816	332
Derivatives	Notes 7 & 11	3,132	121
Other financial assets		2,858	2,226
Deferred tax assets	Note 23	16,543	18,026
CURRENT ASSETS		**1,692,635**	**1,155,513**
Inventories	Note 12	74,110	27,964
Trade and other accounts receivable	Notes 7 & 10	1,246,744	650,294
Short-term Investments in Group companies, jointly-controlled entities and associates	Note 8	97,436	86,394
Short-term Financial assets		42,848	26,300
Financial assets at fair value	Notes 7 & 9	34,867	15,387
Loans to companies		94	94
Derivatives	Notes 7 & 11	7,663	9,262
Other financial assets		224	1,557
Short-term accrued income		1,093	350
Cash and cash equivalents	Note 13	230,404	364,211
TOTAL ASSETS		**1,822,205**	**1,271,534**

Notes 1 to 32 and Exhibit I are an integral part of these annual accounts

TÉCNICAS REUNIDAS, S.A.
BALANCE SHEETS AT 31 DECEMBER 2010 AND 31 DECEMBER 2009
(Thousand euro)

		2010	**2009**
EQUITY		**124,267**	**104,814**
Capital and reserves		**124,884**	**110,028**
Capital	Note 14	5,590	5,590
Issued capital		5,590	5,590
Share premium reserve	Note 14	8,691	8,691
Reserves	Note 15	115,503	95,072
Legal and statutory reserves		1,137	1,137
Other reserves		114,366	93,935
(Treasury shares)	Note 14	(56,257)	(56,257)
Profit for the year	Note 16	87,205	92,780
(Interim dividend)	Note 16	(35,848)	(35,848)
Value changes adjustments		**(2,878)**	**(7,475)**
Hedging transactions	Note 11	(2,400)	(6,549)
Translation differences		(478)	(926)
Grants, donations and bequest received	Note 17	**2,261**	**2,261**
NON-CURRENT LIABILITIES		**46,721**	**45,350**
Long-term Provisions		18,697	24,936
Long-term employee benefit obligations	Note 18	5,315	5,354
Other provisions	Note 18	13,382	19,582
Long-term payables	Note 20	27,860	20,250
Bank borrowings		26,858	19,210
Finance lease liabilities		694	846
Derivatives		213	194
Other financial liabilities		95	-
Deferred tax liabilities	Note 23	164	164
CURRENT LIABILITIES		**1,651,217**	**1,121,370**
Short-term Provisions	Note 18	2,235	3,289
Short-term payables	Note 20	73,413	43,810
Bank borrowings		28,837	450
Derivatives		8,671	7,455
Other financial liabilities		35,905	35,905
Short-term Payable to Group companies and associates	Note 21	95,498	47,598
Trade and other payables	Note 22	1,480,071	1,026,670
Short-term Accruals and deferred income		-	3
TOTAL EQUITY AND LIABILITIES		**1,822,205**	**1,271,534**

Notes 1 to 32 and Exhibit I are an integral part of these annual accounts

TÉCNICAS REUNIDAS, S.A.

INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009 (Thousand euro)

		2010	2009
CONTINUING OPERATIONS			
Revenue	Note 24	1,550,694	1,512,930
Sales		1,550,616	1,512,808
Services rendered		78	122
Changes in inventory of finished products and work in progress		1,375	1,900
Own work capitalised		4,538	16,726
Raw materials and consumables		(884,870)	(920,120)
Consumption of goods for resale		(884,870)	(920,120)
Other operating revenue		836	352
Accesory and other income		112	112
Operating grants released to income during the year		724	240
Staff costs	Note 24	(188,423)	(176,672)
Wages, salaries and similar remuneration		(156,963)	(146,334)
Staff welfare expenses		(31,217)	(29,997)
Provisions		(243)	(341)
Other operating expenses	Note 24	(418,516)	(371,965)
External services		(407,035)	(362,494)
Taxes other than income tax		(2,181)	(4,316)
Losses on, impairment of and change in trade provisions		(9,300)	(5,155)
Depreciation and amortisation		(4,489)	(4,322)
Overprovisions		10,959	12,600
Impairment of and gains (losses) on fixed asset disposals		(1,009)	(1,144)
OPERATING INCOME		**71,095**	**70,285**
Finance income		49,708	38,257
Finance costs		(4,960)	(2,049)
Change in fair value of financial instruments		(524)	1,830
Net exchange differences		(62)	3,263
Impairment of and gains (losses) on disposal of financial instruments		1,007	(20,889)
NET FINANCE INCOME	Note 25	**45,169**	**20,412**
PROFIT BEFORE INCOME TAX		**116,264**	**90,698**
Corporate income tax	Note 23	(29,059)	2,082
PROFIT FOR THE YEAR		**87,205**	**92,780**

Notes 1 to 32 and Exhibit I are an integral part of these annual accounts

TÉCNICAS REUNIDAS, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE
(Thousand euro)

		2010	2009
Profit for the year		**87,205**	**92,780**
Income and expense directly attributed to equity			
On cash flow hedges	11	7,708	22,498
Grants, donations and bequest received	17	-	1,581
On actuarial gains and losses and other adjustments		881	(346)
Tax effect	23	(1,009)	(2,013)
		7,580	**21,720**
Transfers to income statement			
For cash flow hedges	11	(2,550)	(17,911)
		(2,550)	**(17,911)**
TOTAL RECOGNISED INCOME AND EXPENSE		**92,235**	**96,589**

Notes 1 to 32 and Exhibit I are an integral part of these annual accounts

TÉCNICAS REUNIDAS, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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

	Share capital	Share premium	Treasury shares	Legal reserve	Retained earnings	Profit for the year	Interim dividend	Value adjustments	Government grants	Total equity
BALANCE AT 01/01/2009	**5,590**	**8,691**	**(55,644)**	**1,137**	**66,466**	**97,070**	**(34,762)**	**(9,687)**	**680**	**79,541**
Total recognised income and expense	-	-	-	-	16	92,780	-	2,212	1,581	96,589
Transactions in treasury shares, net	-	-	(613)	-	-	-	-	-	-	(613)
Distribution against 2008 profit	-	-	-	-	27,003	(97,070)	34,762	-	-	(35,305)
Interim dividend against 2009 profit	-	-	-	-	-	-	(35,848)	-	-	(35,848)
Other movements in equity	-	-	-	-	450	-	-	-	-	450
BALANCE AT 31/12/2009	**5,590**	**8,691**	**(56,257)**	**1,137**	**93,935**	**92,780**	**(35,848)**	**(7,475)**	**2,261**	**104,814**

Notes 1 to 32 and Exhibit I are an integral part of these annual accounts

TÉCNICAS REUNIDAS, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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

	Share capital	Share premium	Treasury shares	Legal reserve	Retained earnings	Profit for the year	Interim dividend	Value adjustments	Government grants	Total equity
BALANCE AT 01/01/2010	**5,590**	**8,691**	**(56,257)**	**1,137**	**93,935**	**92,780**	**(35,848)**	**(7,475)**	**2,261**	**104,814**
Total recognised income and expense	-	-	-	-	433	87,205	-	4,597	-	92,235
Transactions in treasury shares, net	-	-		-	-	-	-	-	-	0
Distribution against 2009 profit	-	-	-	-	19,998	(92,780)	35,848	-	-	(36,934)
Interim dividend against 2010 profit	-	-	-	-	-	-	(35,848)	-	-	(35,848)
Other movements in equity	-	-	-	-	-	-	-	-	-	-
BALANCE AT 31/12/2010	**5,590**	**8,691**	**(56,257)**	**1,137**	**114,366**	**87,205**	**(35,848)**	**(2,878)**	**2,261**	**124,267**

Notes 1 to 32 and Exhibit I are an integral part of these annual accounts

TÉCNICAS REUNIDAS, S.A.
CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009
(Euro thousand)

	Notes	Year ended 31 December	
		2010	**2009**
Cash flows from operating activities			
Profit for the year		87,205	92,780
Adjustments:			
- Taxes	**23**	29,059	(2,082)
- Depreciation/amortisation of PPE and intangible assets	**5 & 6**	4,489	4,322
- Change in provisions net		1,009	(7,445)
- Impairment losses		(1,659)	1,144
- Finance income		(49,708)	(38,257)
- Finance cost		4,960	2,049
- Change in gains/losses on derivatives		3,972	(17,911)
- Exchange gains/losses		62	(3,263)
- Change in fair value of financial instruments		524	(1,830)
- Impairment of financial instruments		(1,007)	20,889
- Share in (loss) of associates		434	-
Changes in working capital			
- Inventories		(46,146)	(15,675)
- Trade and other receivables		(601,450)	318,300
- Other accounts receivable		839	(41,574)
- Financial assets at fair value through profit or loss		(19,414)	(1,517)
- Trade payables		450,874	(179,197)
- Current tax liabilities		48,330	(14,122)
- Provisions for liabilities and charges and other accounts payable		(595)	3,666
- Other changes		(25,192)	120
Other cash flows from operating activities			
Interest paid		(4,960)	(2,349)
Dividends received		34,535	51,992
Interest received		3,785	3,271
Net cash generated from operating activities		**(80,054)**	**173,312**
Cash flows from investing activities			
Purchases of property, plant and equipment	**5**	(5,782)	(3,044)
Purchases of intangible assets	**6**	(4,878)	(16,862)
Investments in Group companies		(5,704)	-
Disposal of non-current assets		(641)	(402)
Net cash used in investing activities		**(17,005)**	**(19,504)**
Cash flows from financing activities			
Proceeds from borrowings		37,807	3,988
Repayment of borrowings		(1,772)	(12,541)
Grants, donations and bequests received		-	1,581
Dividends paid		(72,783)	(70,067)
Acquisition of treasury shares	**14**	-	(613)
Net cash used in financing activities		**(36,748)**	**(77,652)**
Net (decrease)/increase in cash and cash equivalents		**(133,807)**	**76,156**
Cash and cash equivalents at beginning of year		**364,211**	**288,055**
Cash and cash equivalents at end of the year		**230,404**	**364,211**

Notes 1 to 33 and Exhibit I are an integral part of these annual accounts

TÉCNICAS REUNIDAS, S.A.
NOTES TO THE 2010 FINANCIAL STATEMENTS
(Thousand euro)

1. General information

TÉCNICAS REUNIDAS, S.A. (the Company) was incorporated on 6 July 1960 as a limited liability company ("sociedad anónima"). It is entered in the Madrid Companies Register in volume 1407, sheet 129, page 5692. The latest adaptation and amendment of its Articles of Association is registered in volume 22573, section 8, book 0, sheet 197, page M-72319, entry 157. The registered offices of Técnicas Reunidas, S.A. are located at calle Arapiles, 14, Madrid (Spain). It is headquartered in Madrid, at calle Arapiles, 13.

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

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

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

As indicated in Note 8, the Company is the parent of a Group of companies. The accompanying financial statements were drawn up on an unconsolidated basis. On 28 February 2011, the Company's Board of Directors authorised the 2011 consolidated annual accounts of Técnicas Reunidas, S.A. and subsidiaries for issue. The consolidated financial statements were drawn up under the International Financial Reporting Standards endorsed by the European Union (IFRS-EU). As per the consolidated annual accounts, the Group's equity at year-end 2010 stood at €341,247k (2009: €317,439k), a figure which includes Group profit for 2010 of €97,932k (2009: €145,400k).

2. Basis of presentation

a) <u>Fair presentation</u>

The 2010 annual accounts were prepared from the Company's accounting records and are presented in accordance with prevailing company law and the accounting rules laid down in Royal Decree 1514/2007, as amended by Royal Decree 1159/2010, in order to present fairly the Company's equity, financial position and financial performance and to present accurately the cash flows reflected in the cash flow statement.

The annual accounts have been prepared on a historical cost basis, with the exception of certain assets that must be carried at fair value under the Spanish Chart of Accounts (or Spanish GAAP).

The figures shown are presented in thousand euro, unless otherwise indicated.

b) Critical aspects of the measurement and estimation of uncertainty

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

Critical judgements and key sources of estimation uncertainty are assessed continually and are based on historic experience and other factors, including forward-looking expectations, which are considered reasonable under the circumstances.

Key assumptions concerning the future and other key sources of estimation uncertainty are those that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities or a material impact on earnings performance. The main estimates applied by Company management are as follows:

Revenue recognition

The Company uses the percentage-of-completion method to recognise revenue. This revenue recognition method is applied only when the outcome of the contract may be reliably estimated and it is likely that the contract will generate profits. If the outcome of the contract may not be reliably estimated, revenues are recognised to the extent that costs are recovered. When it is likely that the costs of a contract will exceed the revenues, the loss is immediately recognised as an expense. When applying the percentage-of-completion method, the Company makes significant estimates relating to the total costs necessary to perform the contract. These estimates are reviewed and assessed regularly in order to verify whether or not a loss has been generated and whether it is possible to continue to apply the percentage-of-completion method, or is necessary to re-estimate the expected margin on the project. During the project, the Company also estimates probable contingencies related to the increase in the total estimated cost and adjusts revenue recognised accordingly.

Income tax and deferred tax assets

The calculation of income tax requires the interpretation of tax legislation applicable to the Company. There are also several factors related mainly, but not exclusively, to changes in tax laws and changes in the interpretation of tax laws already in force that require the use of estimates by Company management. In addition, the Company assesses the recoverability of deferred tax assets based on the existence of future taxable income against which these assets may be utilised.

Provisions

Provisions are recognised when it is probable that a present obligation, arising as a result of past events, will give rise to an outflow of resources embodying economic benefits, and the amount of the obligation can be estimated reliably. Significant estimates are required to fulfil the applicable accounting requirements. Company management estimates, evaluating all relevant information and events, the probability of a contingency occurring and the amount of the liability to be settled in the future.

Accounts receivable

The Company makes estimates relating to the collectability of trade receivables for projects affected by unresolved disputes or litigation in progress deriving from acceptance issues regarding executed work or the failure to comply with contractual clauses related to the performance of assets delivered to clients.

Fair value of unlisted financial instruments

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

Warranty claims

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

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

Employee benefits

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

Impairment of investments in Group companies, jointly-controlled entities and associates

Investments in Group companies, jointly-controlled entities and associates are tested for impairment, as set forth in Note 3. As these companies are not listed, their recoverable amounts are based on the carrying amount of the shareholdings adjusted for any unrealised capital gains at the measurement date. These calculations require the use of estimates.

Useful lives of items of PPE and intangible assets

Management determines the estimated useful lives and resulting depreciation and amortisation charges for PPE and intangible assets. The useful lives of non-current assets are estimated based on the period over which the asset will generate economic benefits. At each close, the Company reviews the useful lives of its assets. When changes are identified, the necessary adjustments are made on a prospective basis.

c) Comparison of information

As provided in transitional provision five of Royal Decree 1159/2010, the Company has opted to consider the accompanying 2010 financial statements as first-time statements for comparative purposes and with respect to application of the uniformity principle; as a result, the comparative 2009 figures have not been restated for the new accounting criteria. That being said, because the changes introduced by the aforementioned legislation do not apply to the Company, its application has no effect on either the comparability or uniformity of the accompanying financial statements.

3. Summary of significant accounting policies

3.1 Intangible assets

a) Software

Software includes the ownership and user rights for computer software acquired from third parties or developed by the Company and intended for use during several years. Software is amortised on a straight-line basis over a four-year period from when it is implemented. Software maintenance charges are expensed in the year incurred.

b) Patents, licenses and trademarks

This heading recognises the amounts satisfied for ownership of or licences for its various items of industrial property. Industrial property has a finite useful life and is amortised over this term on a straight line basis.

c) Concessions

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

3.2 Property, plant and equipment

Items of property, plant and equipment are recognised at cost less accumulated depreciation and any accumulated impairment losses.

The costs incurred to extend, modernise or upgrade items of property, plant and equipment are capitalised only when they entail an increase in the asset's capacity, productivity or an extension of its useful life, and so long as it is possible to ascertain or estimate the carrying amount of the assets derecognised in the course of the substitution.

The cost of major repairs are capitalised and depreciated over their estimated useful life, while recurring maintenance expenses are taken to the income statement in the year incurred.

The depreciation of items of property, plant and equipment is calculated on a straight-line basis based on their estimated useful lives and residual values, with the exception of land which is not depreciated.

The estimated useful lives of each asset category are as follows:

	Depreciation rates
Buildings	2%
Laboratory facilities	20%
Photocopiers	10%
General installations	6%
Air conditioning equipment	8%
Topography work stations	10%
Furniture and office equipment	10%
Other equipment	15%
Data-processing equipment	25%
Vehicles	14%

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

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

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

Own work capitalised is calculated by summing the acquisition cost of consumables, direct costs and indirect costs attributable to the assets and is recognised as revenue in the income statement.

The borrowing costs directly attributable to the acquisition or construction of items of property, plant and equipment that require more than a year to ready for their intended use are capitalised until the qualifying assets are ready for use.

3.3 Impairment of non-financial assets

The Company has not recognised any intangible assets with an indefinite useful life in the balance sheet.

The Company reviews the assets subject to depreciation at each close to verify whether or not any events or changes in circumstances indicate that the carrying amount may not be recoverable. The excess of the carrying amount of an asset over its recoverable amount, deemed the higher of fair value less costs to sell or value in use, is recognised as an impairment loss. For the purposes of assessing impairment losses, assets are grouped into the smallest identifiable group of assets that generates cash inflows that are largely independent (cash generating units). For those assets that do not generate cash flows that are largely independent, the recoverable amount is determined for the cash-generating units to which the asset belongs. Impaired non-financial assets are reassessed at each balance sheet date for potential reversal of the impairment.

3.4 Financial assets

Management establishes the classification of investments for measurement purposes upon initial recognition and reviews the classification at each reporting date. The classification depends on the purpose for which the financial assets were acquired. Financial assets are measured as follows:

a) Loans and receivables: financial assets deriving from the sale of goods or rendering of services as part of the Company's ordinary course of business. This category also includes loans that are not commercial in origin, are neither equity instruments nor derivatives, carry fixed or determinable payments and are not quoted in an active market.

These financial assets are recognised initially at fair value, including directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method. Nevertheless, trade receivables which are due within less than one year are carried at nominal value, upon initial recognition and for subsequent measurement purposes, when the effect of not discounting the cash flows is not material.

Loans and receivables are tested for impairment at least at each reporting date and the corresponding impairment losses are recognised when there is objective evidence that all amounts due to the Company will not be collected. Impairment losses are recognised at the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the initial recognition date. Impairment losses and any subsequent reversals are recognised in the income statement.

b) Held-to-maturity investments: debt securities with fixed maturities and fixed or determinable payments traded on active markets which the Company has the positive intention and the ability to hold to maturity.

These investments are measured using the same criteria as loans and receivables, namely they are recognised initially at fair value and are subsequently measured at amortised cost plus accrued interest, calculated using the effective interest rate method.

c) Financial assets held for trading: this heading includes financial assets designated at fair value through profit or loss and all assets held for trading acquired for sale in the short term or as part of a portfolio of identified financial instruments that are managed together with a view to generating short term returns. These assets are initially recognised at fair value and subsequent changes in their fair value are recognised directly in the income statement.

d) Other financial assets at fair value through profit or loss: other financial assets designated by the Company for inclusion in this category upon initial recognition because doing so results in more meaningful disclosures. Derivatives are also classified as held for trading unless they constitute financial guarantee contracts or are designated as hedging instruments.

These instruments are initially recognised and subsequently measured at fair value and any changes in fair value are recognised in the income statement. Transaction costs that are directly attributable to the acquisition of these assets are expensed currently.

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

e) Investments in Group companies, jointly-controlled entities and associates: this category recognises equity investments in Group companies, jointly-controlled entities and associates. These financial assets are measured at cost, less any accumulated impairment losses. At year-end the Company determines whether there is any objective evidence that the carrying amount of these investments may not be recoverable, recognising any corresponding impairment losses, calculated as the difference between the investment's carrying amount and recoverable amount, deemed to be the higher of fair value less costs to sell and the present value of projected cash flows from the investment. Unless better evidence is available, impairment of this type of asset is estimated based on the investee's equity, adjusted for any unrealised capital gains at the measurement date. Impairment losses and any subsequent reversals are recognised in the income statement in the year they arise.

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

3.5 Inventories

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

3.6 Cash and cash equivalents

Cash and cash equivalents include cash, deposits held at call with banks and other short-term highly liquid investments with an original maturity of three months or less, subject to an insignificant risk of changes in value. Bank overdrafts are included within borrowings in current liabilities on the balance sheet. The Company had no bank overdrafts at either year-end 2010 or 2009.

3.7 Share capital

The Company's share capital is represented by ordinary shares.

The costs of issuing new shares or stock options are recognised directly against equity as a deduction from reserves.

If the Company purchases own shares, the consideration paid, including any directly attributable incremental costs, is deducted from equity until the shares are redeemed, reissued or sold. When these shares are sold or subsequently reissued, any amount received, net of any incremental directly attributable transaction costs, is included in equity.

3.8 Financial liabilities

For measurement purposes, financial liabilities are classified as follows:

a) Creditors and payables: financial liabilities deriving from the purchase of goods or contracting of services as part of the Company's ordinary course of business. This category also includes non-trade payables that are neither derivative nor equity instruments. These payables are initially recognised at fair value, adjusted for directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Nevertheless, trade payables which are due within less than one year and do not carry a contractual interest rate are carried at their nominal value, upon initial recognition and for subsequent measurement purposes, when the effect of not discounting the cash flows is not material.

These financial liabilities are initially recognised and subsequently measured at fair value and any changes in fair value are recognised in the income statement. Transaction costs that are directly attributable to the issuance of these liabilities are recognised in the income statement in the year they are incurred.

Financial liabilities falling due in less than 12 months from the balance sheet date are classified as current while those falling due in more than 12 months are classified as non-current.

A financial liability is derecognised when the corresponding obligation is extinguished.

3.9 Government grants

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

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

3.10 Derivative financial instruments and hedging activities

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

The Company designates certain derivatives as cash flow hedges. The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised

immediately in the income statement within net finance income/cost. Amounts deferred in equity are transferred to the income statement in the year in which the hedged item affects profit or loss. When the hedged forecast transaction results in the recognition of a non-financial asset or liability, the losses and gains previously deferred in equity are transferred out of equity, and included in the initial measurement of the cost of the asset or liability.

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

3.11 Current and deferred tax

Tax expense (income) is the amount of income tax accrued for the year and includes current and deferred tax expense (income).

Both current and deferred tax expense (income) are recognised in the income statement. However, the tax effects of items recognised directly with a credit or charge to equity are also recognised in equity.

Current tax assets and liabilities are measured at the amounts expected to be payable or recoverable from the tax authorities based on tax regulations prevailing at year-end. Deferred tax assets and liabilities are not discounted for measurement purposes.

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

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

Deferred tax liabilities are recognised for all taxable temporary differences.

However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Técnicas Reunidas, S.A. files its income tax return as part of a consolidated tax group together with certain Group companies.

3.12 Provisions and contingent liabilities

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

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

Contingent liabilities, meanwhile, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognised in the financial statements but are disclosed in the accompanying notes (Note 26).

3.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable on the sale of goods and services in the ordinary course of the Company's business. Revenue is recognised net of value added tax, returns, rebates and discounts. The Company recognises revenue when the amount can be reliably calculated, the future economic benefits are likely to flow to it and the specific conditions applicable to each of its businesses are fulfilled, as described below. The amount of revenue cannot not be measured until all of the contingencies associated with the sale have been resolved. The Company's estimates are based on historical data, taking into account customer and transaction types, as well as the specific terms of each contract.

Administrative contracts: revenue from the rendering of services under service agreements is recognised in the financial year in which the services are provided by reference to the stage of completion method. The price payable by the end customer consists of the direct costs incurred, to which a fixed margin is applied for indirect costs and business profit.

Engineering contracts: when the outcome of a contract cannot be reliably estimated, the relevant revenue is recognised to the extent of the expenses recognised that are recoverable.

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

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

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

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

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

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

Service concession arrangements

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

Interest income

Interest income is recognised using the effective interest method.

Dividends

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

3.14 Foreign currency transactions

Functional and presentation currency

The Company's financial statements are presented in euro, which is both its functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

3.15 Employee benefits

a) Pension commitments

The Company has assumed commitments to its employees in the form of defined benefit plans (pension awards). A defined benefit plan is a pension plan under which the amount of the benefit that will be received by an employee at the time of retirement is defined, normally on the basis of one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs, if any.

If this difference gives rise to the recognition of an asset, its measurement may not exceed the present value of the benefits that may be repaid to the Company in the form of direct reimbursements or reduced future contributions, plus any unrecognised past-service costs. If the Company has to make any adjustment in respect of this asset measurement cap, the adjustment is recognised directly in equity within reserves.

The present value of the obligation is determined using actuarial calculation methods and unbiased and mutually compatible financial and actuarial assumptions.

Any changes at the balance sheet date in the calculation of the fair value of the benefit obligations, or in the fair value of plan assets where appropriate, attributable to actuarial gains or losses are recognised in the year in which they arise, directly in equity, within reserves. For these purposes, gains or losses relate exclusively to variations arising from changes to actuarial assumptions or adjustments applied based on experience.

Past-service costs are recognised immediately in the income statement unless they relate to conditional rights or vested benefits, in which case they are recognised in the income statement on a straight line basis over the remaining vesting period. However, if an asset is recognised, the vested benefits are recognised in the income statement immediately, unless it gives rise to a reduction in the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan, in which case the surplus over this reduction is recognised immediately in the income statement.

b) Other long-term remuneration obligations

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

c) Termination benefits

Termination benefits are paid to employees as a result of the Company's decision to terminate employment contracts before the normal retirement age or when employees voluntarily agree to resign in return for such benefits. Termination benefits are paid to employees as a result of the Company's decision to terminate employment contracts before the normal retirement age or when employees voluntarily agree to resign in return for such benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

3.16 Leases

Finance leases

Asset leases in which the Company acts as lessee and retains substantially all the risks and rewards of ownership of the assets are classified as finance leases. Finance leases are recognised at the inception of the lease term at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Present value is calculated using the rate of interest implicit in the lease agreement, or the interest rate used by the Company for similar transactions.

Lease payments are apportioned between finance charges and reduction of the lease liability. The total finance charge is apportioned over the term of the lease and is recognised in the income statement in the year accrued. The payment obligation under the lease, net of finance charges, is recognised in non-current payables, except for the portion falling due within 12 months. Items of property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Operating leases

Leases arrangements where the lessor retains substantially all the risks and benefits inherent to ownership of the asset are classified as operating leases. When the Company acts as lessee, operating lease payments (net of any bonus received by the lessor) are recognised in the income statement on a straight-line basis over the lease term.

3.17 Group companies and associates

For the purposes of presenting its annual accounts, a Group company is one over which the Company exercises control. Control is presumed to exist when the shareholding exceeds 50% of the voting rights or, if less, when other reasons or events demonstrate the existence of control (for example, agreements between shareholders).

Associates are companies over which the Company exercises significant influence but not control. Significant influence is presumed to exist when the shareholding is between 20% and 50% of the voting rights or, when the shareholding is lower, there are events and circumstances which demonstrate the exercise of significant influence.

3.18 Jointly-controlled entities – UTEs and consortiums

The proportional part of the balance sheet and income statement items of UTEs and consortiums are incorporated into the Company's balance sheet and income statement based on its ownership interest in the venture.

None of the UTEs use accounting criteria that differ from those applied by the Company.

3.19 Business combinations

The Company recognises business combinations resulting from the acquisition of shares or equity stakes in another company in accordance with the rules for accounting for investments in Group companies, jointly-controlled entities and associates (Note 3.4).

3.20 Related party transactions

As a general rule, transactions between Group companies are initially recognised at fair value and in accordance with the economic substance of the transaction. Subsequent measurement complies with prevailing accounting rules.

3.21 Statement of cash flows

The following expressions are used in the statement of cash flows:

- Cash flows: inflows and outflows of cash and cash equivalents (Note 13)

- Cash flows from operating activities: the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.

- Cash flows from investing activities: payments and collections originating in the acquisition and disposal of non-current assets.

- Cash flows from financing activities: payments and collections arising from the issue and repayment/cancellation of financial liabilities, equity instruments and dividends.

4. Financial risk management

4.1 Financial risk factors

a) Market risk

a.1) Foreign exchange risk

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

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

The Company's risk management policy is to hedge most highly probable forecast transactions in each of the main currencies during the months the project is scheduled to last. The portion of the risk to be hedged in relation to projected sales in each of the main currencies varies by project. These hedges are classified as highly probable forecast transactions for hedge accounting purposes.

The nature of the Company's business operations means that it is very common to denominate customer transactions in US dollars, while the corresponding costs are habitually denominated in multiple currencies, albeit principally US dollars. If at year-end 2010 the euro had depreciated / appreciated against the US dollar by a hypothetical 10%, leaving all other variables constant, profit before tax for the year would have been €1,569k / €4,620k higher / lower (2009: €3,240k / €2,357k higher / lower), mainly due to hypothetical gains / losses generated on the revaluation / devaluation of open positions in US dollars.

Meanwhile, if at year-end 2010 the euro had depreciated / appreciated against the US dollar by a hypothetical 10%, equity would have been €53,572k / €41,620k lower / higher (2008: €12,795k / €12,892k lower / higher); these amounts were calculated based on the changes in profits outlined in the paragraph above and the estimated changes in the value of hedging derivatives recognised in the hedging reserve (all before considering the related tax effects).

a.2) Price risk

The Company is partially exposed to commodity price risks, basically metals and oil, to the extent that they affect the price of equipment and manufactured materials used in construction projects. In general these impacts are effectively passed on in selling prices by all peer contractors operating in the sector.

Exposure to this risk on account of the investments held by the Company and classified in the balance sheet at fair value through profit or loss is limited because they correspond primarily to investments in fixed-income funds which invest in very short-term assets (assets maturing in less than six months and not exposed to interest rate risk) (Note 9).

The Company reduces and mitigates price risk through the policies established by Group management, which basically consist of accelerating or slowing the rate of placements and selecting the currencies and countries of origin. An additional mechanism used to mitigate this risk takes the form of contracting formulae that apportion a price component for covering possible cost deviations.

a.3) Cash flow interest rate risk

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

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

	2010			2009		
	Referenced to Euribor	**Other benchmarks**	**Total**	**Referenced to Euribor**	**Other benchmarks**	**Total**
Borrowings (Note 20)	(55,695)		(55,695)	(19,660)	-	(19,660)
Interest-earning cash and cash equivalents (Note 13)	172,502	57,902	230,404	183,296	180,915	364,211
Net cash position	**116,807**	**57,902**	**174,709**	**163,636**	**180,915**	**344,551**

Based on sensitivity analysis performed on cash and cash equivalents, the impact of a 25 basis point fluctuation (in either direction) in interest rates would imply, at most, an increase / decrease in profit of €575k (2009: €911k).

b) Credit risk

The Company manages its credit risk exposure as a function of the following groups of financial assets:

- Assets arising from derivatives (Note 11)
- Various balances included in cash and cash equivalents (Note 13)
- Trade and other receivable balances (Note 10).

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

The Company's key customers represented 68% of total "Trade receivables" (within Trade and other receivables) at 31 December 2010 (2009: 67%) and are tied to transactions with entities such as those described in the preceding paragraph. As a result, the Company considers credit risk to be very low. In addition to the credit analysis performed before entering into a contract, the global position of trade and other receivables is monitored on an ongoing basis, while the most significant exposures (including exposure to the type of entities mentioned earlier) are monitored at the individual level.

The balance of trade receivables past due but not impaired at 31 December 2010 was €147,416k (2009: €65,898k), and primarily correspond to amounts past due by less than 6 months.

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

c) Liquidity risk

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

Management monitors liquidity forecasts on the basis of projected cash flows. As mentioned above, the strategy of self-financing projects results in significant net cash balances. In addition, the Company has in place undrawn credit lines that increase its liquidity balance. As a result, the Company's directors believe that its liquidity risk is low. The following is a breakdown of the significant liquidity parameters:

	Euro thousand	
	2010	**2009**
Bank borrowings (Note 20)	(55,695)	(19,660)
Cash and cash equivalents (Note 13)	230,404	364,211
Net cash balance	**174,709**	**344,551**
Undrawn credit lines (Note 20)	61,166	72,973
Total liquidity reserves	**235,875**	**417,524**

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts shown in the table correspond to the undiscounted cash flows stipulated in the corresponding contracts. The balances payable within 12 months are equivalent to their carrying amounts, since the effect of discounting them is insignificant.

Euro thousand	**Less than one year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 31 December 2010				
Borrowings	28,837	4,667	5,827	16,364
Derivative financial instruments	8,671	213	-	-
Trade payables	1,480,071	694	-	-
Non-accrued interest payable	441	71	89	250
Total	**1,518,020**	**5,645**	**5,916**	**16,884**
At 31 December 2009				
Borrowings	450	1,756	1,877	15,577
Derivative financial instruments	7,455	195	-	-
Trade payables	1,026,670	-	-	-
Non-accrued interest payable	6	26	70	148
Total	**1,034,581**	**1,977**	**1,947**	**15,725**

4.2. Capital risk management

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

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

The Company monitors capital based on a leverage ratio. This ratio is calculated as debt divided by equity. Debt is calculated as total borrowings. Capital is calculated as equity, as shown in the financial statements.

	2010	2009
Borrowings – I (Note 20)	(55,695)	(19,660)
Net cash position - II	174,709	344,551
Equity - III	124,267	104,814
% I / III	44.82%	18.76%
% II / III (*)	140.59%	328.73%

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

4.3. Fair value estimation

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of financial instruments traded on active markets is based on market prices at each reporting date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. To this end, the Company relies primarily on valuation methods based on recent comparable market transactions as well as discounted cash flow analysis. Other methods such as discounted cash flow analysis are used to determine the fair value of all other financial instruments.

The fair value of trade receivables and payables is assumed to approximate their carrying amount less any impairment provisions. The fair value of financial liabilities for reporting purposes is estimated by discounting future contractual cash flows at the prevailing market interest rate that would be borne by the Company on equivalent financial instruments.

5. Intangible assets

An analysis of the various items comprising “Intangible assets” is provided below:

				Euro thousand
	Concessions	Patents, licenses and trademarks	Software	Total
Balance at 01/01/2009				
Cost	24,942	13	5,791	30,746
Accumulated amortisation	-	-	(3,933)	(3,933)
Accumulated impairment losses	-	-	-	-
Carrying amount	**24,942**	**13**	**1,858**	**26,813**
Additions	16,726	-	136	16,862
Decreases	-	-	(95)	(95)
Amortisation charge	(55)	-	(443)	(498)
Impairment charge	(1,200)	-	-	(1,200)
Balance at 31/12/2009				
Cost	41,668	13	5,830	47,511
Accumulated amortisation	(55)	-	(4,374)	(4,429)
Accumulated impairment losses	(1,200)	-	-	(1,200)
Carrying amount	**40,413**	**13**	**1,456**	**41,882**
Additions	4,538	-	340	4,878
Decreases	-	-	-	-
Amortisation charge	(101)	-	(372)	(473)
Impairment charge	(1,000)	-	-	(1,000)
Balance at 31/12/2010				
Cost	46,206	13	6,170	52,389
Accumulated amortisation	(156)	-	(4,746)	(4,902)
Accumulated impairment losses	(2,200)	-	-	(2,200)
Carrying amount	**43,850**	**13**	**1,424**	**45,287**

Concessions relate to the construction cost of various assets (car parks and others) for which the Company has obtained the operating concession for a specified period. At the end of the concession term the assets revert in their entirety to the concession grantor. The Company will amortise the capitalised concession assets over the relevant concession terms.

In 2010, the Company recognised impairment losses amounting to €1,000k in connection with concession assets (2009: €1,200k).

In 2010, the Company capitalised borrowing costs in connection with financing obtained specifically for the construction of concession assets. Capitalised borrowing costs totalled €638k (2009: €1,175k).

Software records the ownership and user rights for computer software acquired from third parties.

At 31 December 2010, there were fully-amortised intangible assets still in use with an original cost of €4,701k (2009: €4,701k).

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

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

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

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

Concession assets under construction have been financed with credit facilities amounting to €26,890k (2009: €19,293k).

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

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

6. Property, plant and equipment

Analysis of the items composing property, plant and equipment:

	Euro thousand		
	Land and buildings	Plant and other PPE	Total
Balance at 01/01/2009			
Cost	549	31,710	22,873
Accumulated depreciation	(318)	(13,191)	(10,675)
Carrying amount	**231**	**18,519**	**12,198**
Additions	-	3,044	3,044
Decreases	-	(166)	(166)
Depreciation charge	(10)	(3,814)	(3,824)
Balance at 31/12/2009			
Cost	549	34,348	34,897
Accumulated depreciation	(328)	(16,765)	(17,093)
Carrying amount	**221**	**17,583**	**17,804**
Additions	650	5,132	5,782
Decreases	-	-	-
Depreciation charge	(45)	(3,971)	(4,016)
Balance at 31/12/2010			
Cost	1,199	39,480	40,679
Accumulated depreciation	(373)	(20,736)	(21,109)
Carrying amount	**826**	**18,744**	**19,570**

a) Impairment losses

The Company neither recognised new impairment losses nor reversed previously recognised impairment losses on any individual item of property, plant and equipment in either 2010 or 2009.

b) Property, plant and equipment located abroad

At 31 December 2010, the carrying amount of items of property, plant and equipment located outside Spain was €1,111k (2009: €1,111k). Accumulated depreciation on these assets stands at €253k (2009: €251k).

c) Fully-depreciated assets

At 31 December 2010, there were there were fully depreciated items of property, plant and equipment still in use with an original cost of €8,837k (2009: €8,837k).

d) Assets under finance lease

"Plant and other items of PPE" includes the following amounts held under finance leases in which the Company is the lessee:

	Euro thousand	
	2010	**2009**
Capitalised finance lease cost	5,611	4,245
Accumulated depreciation	(3,030)	(2,907)
Carrying amount	**2,581**	**1,338**

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

d) Assets under operating lease

The 2010 income statement recognises operating lease expense related to office rentals in the amount of €36,794k (2009: €37,078k).

f) Insurance

The Company's policy is to write any insurance policies deemed necessary to cover risks that could affect its property, plant and equipment.

7. Analysis of financial instruments

7.1 Analysis by category

The carrying amounts of the financial instrument categories set out in the rules for recognition and measurement of financial instruments, with the exception of investments in Group companies, jointly-controlled entities and associates (Note 8), are follows:

a) Financial assets:

					Euro thousand
Balance at 31 December 2010	**Other**	**At fair value through profit or loss (Note 9)**	**Loans and receivables**	**Hedging derivatives (Note 11)**	**Cash and cash equivalents (Note 13)**
Equity instruments	222	-	-	-	-
Derivatives	-	-	-	3,132	-
Other financial assets	-	-	3,674	-	-
Non-current	**222**	**-**	**3,674**	**3,132**	**-**
Equity instruments	-	34,867	-	-	-
Derivatives	-	-	-	7,663	-
Other financial assets	-	-	1,246,968	-	230,404
Current	**-**	**34,867**	**1,246,968**	**7,663**	**230,404**

Euro thousand

Balance at 31 December 2009	Other	At fair value through profit or loss (Note 9)	Loans and receivables	Hedging derivatives (Note 11)	Cash and cash equivalents (Note 13)
Equity instruments	192	-	-	-	-
Derivatives	-	-	-	121	-
Other financial assets	-	-	2,558	-	-
Non-current	**192**	**-**	**2,558**	**121**	**-**
Equity instruments	-	15,387	-	-	-
Derivatives	-	-	-	9,262	-
Other financial assets	-	-	760,605	-	364,211
Current	**-**	**15,387**	**760,605**	**9,262**	**364,211**

b) Financial liabilities:

	Euro thousand	
Balance at 31 December 2010	**Financial liabilities at amortised cost**	**Hedging derivatives (Note 11)**
Bank borrowings (Note 20)	26,858	-
Derivatives	-	213
Other financial liabilities	694	-
Non-current	**27,552**	**213**
Bank borrowings (Note 20)	28,837	-
Derivatives	-	8,671
Other financial liabilities	1,492,959	-
Current	**1,521,796**	**8,671**

	Euro thousand	
Balance at 31 December 2009	**Financial liabilities at amortised cost**	**Hedging derivatives (Note 11)**
Bank borrowings (Note 20)	19,210	-
Derivatives	-	194
Other financial liabilities	846	-
Non-current	**20,056**	**194**
Bank borrowings (Note 20)	450	-
Derivatives	-	7,455
Other financial liabilities	1,038,499	-
Current	1,038,949	**7,455**

7.2 Analysis by maturity

Financial instrument maturities are disclosed in the corresponding notes for the various instrument classes.

8. Investments in Group companies, jointly-controlled entities and associates

The breakdown of investments in Group companies, jointly controlled entities and associates is as follows:

	Euro thousand	
	2010	**2009**
Equity instruments	41,142	35,438
Non-current	**41,142**	**35,438**
Loans	60,781	46,651
Other financial assets	36,655	39,743
Current	**97,436**	**86,394**

Current

At 31 December 2010, loans to Group companies includes €46,963k (2009: €24,169k) relating to tax receivables arising from income taxes payable by the companies comprising the consolidated tax group (Note 23). The rest of this balance corresponds to trade credit extended to Group companies, associates and UTEs, relating primarily to the provision of engineering services. The loans to venturers in UTEs and joint ventures earn interest at market rates (Euribor + 80bp)

At year-end 2010, "Other financial assets" includes €36,323k (2009: €28,000k) corresponding to dividends pending collection from Group companies.

The carrying amount of loans to Group companies and other financial assets above does not differ materially from the fair values of these financial assets.

Non-current

This heading corresponds to the Company's investments in Group companies, jointly-controlled entities and associates.

In 2010, dividends received amounted to €42,904k (2009: €34,854k) and are recognised as finance income in the income statement (Note 25).

The following changes in non-current equity holdings took place in 2010:

- Incorporation of Técnicas Reunidas SNG Alliance Ltd., whose corporate purpose is to provide engineering and project management services.

- In 2010 the Company invested an additional €400k in Green Fuel Corporación, S.A. and acquired an interest in Master S.A. de Ingeniería y Arquitectura for €1,600k.

The following changes in non-current equity holdings took place in 2009:

- Incorporation of Técnicas Reunidas Hellas, Técnicas Reunidas Netherlands, TR De Construcao and Técnicas Reunidas Australia Pty Ltd., whose corporate purposes are to provide engineering and project management services in all instances.

The breakdown of investments in Group companies, jointly-controlled entities and associates at year-end 2010 and 2009 is follows:

Investments in Group companies, jointly-controlled entities and associates at year-end 2010

Company	Registered domicile	Business	Direct interest	Carrying amount	Equity at year-end 2010 (thousand euro) Capital	Reserves	Profit (loss)
Comercial Técnicas Reunidas, S.L.	MADRID	COMMERCIAL DEVELOPMENT	100.00%	-	3	-	-
Técnicas Reunidas Internacional, S.A.	MADRID	ENGINEERING SERVICES	100.00%	120	120	4,190	(2,147)
Termotécnica, S.A.	MADRID	EQUIPMENT WHOLESALING	99.98%	300	781	1,058	(210)
TR Construcción y Montaje S.A.	MADRID	PROPERTY DEVELOPMENT	100.00%	150	332	1,176	(19)
Técnicas Reunidas Ecología, S.A.	MADRID	ENGINEERING SERVICES	100.00%	120	120	1,521	(366)
Técnicas Reunidas Metalúrgicas, S.A.	MADRID	ENGINEERING SERVICES	100.00%	60	120	447	2,449
Técnicas Reunidas Trade Panamá, S.A.	PANAMA	COMMERCIAL DEVELOPMENT	100.00%	46	46	42	2
Española de Investigación y Desarrollo S.A.	MADRID	ENGINEERING SERVICES	100.00%	438	90	3,034	746
TR Proyectos Internacionales, S.A.	MADRID	DEVELOPMENT AND CONTRACTING	100.00%	421	1,503	1,149	139
Técnicas Reunidas Venezuela	CARACAS	COMMERCIAL DEVELOPMENT	100.00%	9	9	-	-
Layar, S.A.	MADRID	CORPORATE MANAGEMENT	100.00%	6,728	1,085	3,923	59
Initec Plantas Industriales, S.A.	MADRID	ENGINEERING SERVICES	100.00%	4,613	6,600	145,114	56,313
Initec Infraestructuras, S.A.	MADRID	ENGINEERING SERVICES	100.00%	1,322	1,800	5,299	(2,598)
Técnicas Reunidas Ecuador	QUITO	ENGINEERING SERVICES	100.00%	4	3	-	-
Técnicas Reunidas Gulf Ltd.	YEDAH	ENGINEERING SERVICES	75.00%	15,339	550	25,591	(4,800)
ReciclAguilar, S.A.	MADRID	ENGINEERING SERVICES	80.00%	126	60	(236)	(32)
Técnicas Reunidas Hellas	ATHENS	ENGINEERING SERVICES	100.00%	60	-	666	2,351
Técnicas Reunidas Netherlands	HAGUE	ENGINEERING SERVICES	100.00%	18	-	1,455	5,281
TR De Construcao	LISBON	ENGINEERING SERVICES	100.00%	3,500	3,500	2,680	2,531
Técnicas Reunidas Australia Pty Ltd	MELBOURNE	ENGINEERING SERVICES	100.00%	-	-	2,489	6,401
TR SNG Alliance Ltd.	LA PAZ	ENGINEERING SERVICES	100.00%	38	20	-	524
Total investment in Group companies				**33,412**			
Heymo Ingeniería, S.A.	MADRID	ENGINEERING SERVICES	39.98%	517	903	5,751	(703)
Layar Castilla, S.A.	MADRID	PROPERTY DEVELOPMENT	25.39%	565	685	963	23
Empresarios Agrupados, A.I.E.	MADRID	BUSINESS SERVICES	42.48%	69	162	587	-
Empresarios Agrupados Internacional, S.A.	MADRID	BUSINESS SERVICES	42.48%	264	1,202	5,708	1,715
KJT Engehnaria Materiais	MADEIRA	ENGINEERING SERVICES	33.33%	-	5	1,815	(35)
Damietta Project Management Co.	LONDON	ENGINEERING SERVICES	33.33%	1	1	135	-
Damietta LNG Construction	DAMIETTA	ENGINEERING SERVICES	33.33%	358	33,517	(30,561)	(228)
Ibérica del Espacio	MADRID	ENGINEERING SERVICES	45.73%	1,055	2,240	724	114
Green Fuel Corporación	SANTANDER	PROJECT ANALYSIS	36.80%	3,249	1,717	6,012	(6,768)
TR Ensol s.a.	MADRID	ENG. SERVICES / PROJECT MGT	50.00%	52	104	23	82
Proyectos Ebramex, S. de R.L. de C.V.	MEXICO CITY	ENGINEERING SERVICES	33.33%	-	21,639	(53,814)	(10,808)
Minatrico, S. de R.L. de C.V.	MEXICO CITY	ENGINEERING SERVICES	33.33%	-	41,289	(65,525)	(19,128)
Master S.A. de Ingeniería y Arquitectura	**MADRID**	ENGINEERING SERVICES	40.00%	1,600	152	2,070	1,415
Total investments in jointly-controlled entities and associates				**7,730**			
Total				**41,142**			

Investments in Group companies, jointly-controlled entities and associates at year-end 2009

Company	Registered domicile	Business	Direct interest	Carrying amount	Equity at year-end 2009 (thousand euro) Capital	Reserves	Profit (loss)
Comercial Técnicas Reunidas, S.L.	MADRID	COMMERCIAL DEVELOPMENT	100.00%	-	3	-	-
Técnicas Reunidas Internacional, S.A.	MADRID	ENGINEERING SERVICES	100.00%	120	120	4,443	(252)
Termotécnica, S.A.	MADRID	EQUIPMENT WHOLESALING	99.98%	300	781	631	427
TR Construcción y Montaje S.A.	MADRID	PROPERTY DEVELOPMENT	100.00%	150	332	1,158	19
Técnicas Reunidas Ecología, S.A.	MADRID	ENGINEERING SERVICES	100.00%	120	120	1,697	(176)
Técnicas Reunidas Metalúrgicas, S.A.	MADRID	ENGINEERING SERVICES	100.00%	60	120	636	(189)
Técnicas Reunidas Trade Panamá, S.A.	PANAMA	COMMERCIAL DEVELOPMENT	100.00%	46	46	36	-
Española de Investigación y Desarrollo S.A.	MADRID	ENGINEERING SERVICES	100.00%	438	90	864	2,170
TR Proyectos Internacionales, S.A.	MADRID	DEVELOPMENT AND CONTRACTING	100.00%	421	1,503	957	191
Técnicas Reunidas Venezuela	CARACAS	COMMERCIAL DEVELOPMENT	100.00%	9	9	-	-
Layar, S.A.	MADRID	CORPORATE MANAGEMENT	100.00%	6,728	1,085	3,673	250
Initec Plantas Industriales, S.A.	MADRID	ENGINEERING SERVICES	100.00%	4,613	6,600	114,040	62,148
Initec Infraestructuras, S.A.	MADRID	ENGINEERING SERVICES	100.00%	1,322	1,800	5,206	93
Técnicas Reunidas Ecuador	QUITO	ENGINEERING SERVICES	100.00%	4	3	-	-
Técnicas Reunidas Gulf Ltd.	YEDAH	ENGINEERING SERVICES	75.00%	15,339	550	9,376	16,215
ReciclAguilar, S.A.	MADRID	ENGINEERING SERVICES	80.00%	126	60	95	(51)
Técnicas Reunidas Hellas	ATHENS	ENGINEERING SERVICES	100.00%	60	60	-	666
Técnicas Reunidas Netherlands	HAGUE	ENGINEERING SERVICES	100.00%	18	18	-	1,455
TR De Construcao	LISBON	ENGINEERING SERVICES	100.00%	5	5	-	2,693
Técnicas Reunidas Australia Pty Ltd	MELBOURNE	DORMANT	100.00%	-	-	-	-
Total investment in Group companies				**29,879**			
Heymo Ingeniería, S.A.	MADRID	ENGINEERING SERVICES	39.98%	517	903	4,945	1,613
Layar Castilla, S.A.	MADRID	PROPERTY DEVELOPMENT	25.39%	565	685	1,029	46
Empresarios Agrupados, A.I.E.	MADRID	BUSINESS SERVICES	42.48%	69	162	588	-
Empresarios Agrupados Internacional, S.A.	MADRID	BUSINESS SERVICES	42.48%	264	1,202	4,336	1,335
KJT Engehnaria Materiais	MADEIRA	ENGINEERING SERVICES	33.33%	-	5	1,609	206
Damietta Project Management Co.	LONDON	ENGINEERING SERVICES	33.33%	1	1	135	-
Damietta LNG Construction	DAMIETTA	ENGINEERING SERVICES	33.33%	389	33,517	-29,200	(1,361)
Ibérica del Espacio	MADRID	ENGINEERING SERVICES	45.73%	1,055	2,240	725	118
Green Fuel Corporación	SANTANDER	PROJECT ANALYSIS	25.07%	2,647	121	12,809	-
TR Ensol s.a.	MADRID	ENG. SERVICES / PROJECT MGT	50.00%	52	104	23	238
Proyectos Ebramex, S. de R.L. de C.V.	MEXICO CITY	ENGINEERING SERVICES	33.33%	-	21,639	-19,582	(34,233)
Minatrico, S. de R.L. de C.V.	MEXICO CITY	ENGINEERING SERVICES	33.33%	-	41,289	-33,468	(32,057)
Total investments in jointly-controlled entities and associates				**5,559**			
Total				**35,438**			

In 2010 the Company recognised impairment losses amounting to €1,007k (2009: €20,889k). The impairment charge was recognised in "Impairment of and gains (losses) on disposal of financial instruments" in the accompanying income statement (Note 25). Accumulated impairment losses on investments at 31 December 2010 totalled €37,792k.

None of these companies is publicly traded.

9. Financial assets at fair value through profit or loss

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

	2010	2009
Opening balance	**15,387**	**13,428**
Net additions (disposals) (fair value)	19,480	1,959
Closing balance	**34,867**	**15,387**

Listed securities:		
- Investments in short-term fixed income securities	27,782	67
- Investments in listed equity securities	7,085	15,320
	34,867	**15,387**

All these financial assets are designated as held for trading.

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

In 2010 the Group invested €20,000k in funds managed by Finconsult Gestconsult.

Changes in the fair value of financial assets at fair value through profit or loss are recognised within net finance income/cost in the income statement (Note 25)

Financial assets at fair value through profit and loss represent investments in listed equities and short-term fixed-income securities. The fair value of these securities at 31 December 2010 was determined based on year-end closing prices. Returns on fixed-income securities are tied to trends in eurozone interest rates.

10. Trade and other accounts receivable

	Euro thousand	
	2010	2009
Trade receivables	1,086,133	543,758
Trade receivables from Group companies and associates	88,517	69,372
Sundry receivables	31,208	22,340
Personnel expenses	364	558
Current income tax assets	327	585
Other tax receivables	40,195	13,681
	1,246,744	**650,294**

The carrying amounts of trade and other receivables do not differ materially from their fair values.

At year-end 2010, trade receivables include €710,809k (2009: €367,687k) relating to completed work pending billing, measured on the basis of the accounting criteria set forth in Note 3.13.

At year-end 2010, trade receivables of €5,000k (2009: €0k) were impaired and provided for. The changes in the provision for impairment losses on trade receivables were as follows:

	Euro thousand	
	2010	2009
Opening balance	**906**	**923**
Provision for receivables impairment	5,000	-
Reversal of provision for receivables impairment	-	(17)
Closing balance	**5,906**	**906**

The balance of trade receivables past due but not impaired at 31 December 2010 was €147,416k (2009: €65,898k), and primarily corresponds to amounts past due by less than 6 months.

No other balances included “Trade and other receivables” are deemed impaired.

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

	Euro thousand	
	2010	2009
Euro	203,293	159,376
USD	171,485	6,851
Other currencies	546	9,844
Subtotal	375,324	176,071
Completed work pending billing	710,809	367,687
Total	**1,086,133**	**543,758**

11. Derivative financial instruments

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

	2010		2009	
	Euro thousand			
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange forwards – cash flow hedges	10,795	8,884	9,383	7,649
Total	**10,795**	**8,884**	**9,383**	**7,649**
Less non-current portion:				
Foreign exchange forwards – cash flow hedges	3,132	213	121	194
Current	**7,663**	**8,671**	**9,262**	**7,455**

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

	Euro thousand				
	Fair value		**Notional maturities**		
Instrument type	**Balances at 31/12/2010**	**Balances at 31/12/2009**	**2011**	**2012**	**Notional total**
Asset balances and notional amounts	**10,795**	**9,383**	**175,280**	**150,917**	**326,197**
USD / EUR	8,688	4,768	153,861	150,917	**304,778**
JPY / USD	1,913	4,615	16,725	-	**16,725**
JPY / EUR	194	-	4,694	-	**4,694**
Liability balances and notional amounts	**8,884**	**7,649**	**138,525**	**27,430**	**165,955**
USD / EUR	8,476	4,059	110,394	27,430	**137,824**
RUB / USD	-	3,406	-	-	**-**
AUD / EUR	339	143	5,633	-	**5,633**
JPY / USD	69	41	22,498	-	**22,498**
Net balance	**1,911**	**1,734**			

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

	2009	2010	2011	2012	Total fair value
Total assets, 2010	-	-	7,663	3,132	**10,795**
Total liabilities, 2010	-	-	8,671	213	**8,884**
Total assets, 2009	9,262	121	-	-	**9,383**
Total liabilities, 2009	7,455	195	-	-	**7,650**

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

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

The after-tax gains/losses accumulated in equity in connection with foreign currency forward contracts at 31 December 2010 amounted to a loss of €2,400k (2009: a loss of €6,549k). These gains and losses are recognised in the income statement in the year or years in which the hedged transaction affects profit or loss. This normally occurs within twelve months of the balance sheet date.

No material portion of the foreign currency hedges was deemed ineffective in either 2010 or 2009. Gains or losses on any ineffective portion would have been recognised in the income statement.

12. Inventories

This heading includes the following items in the amounts set forth below:

	Euro thousand	
	2010	**2009**
Construction projects in progress	5,805	5,805
Bid presentation costs	6,928	5,553
Materials	71	71
Prepayments to suppliers	61,306	16,535
	74,110	**27,964**

Construction projects in progress capitalise the cost of developing a number of assets (mainly car parks), as described in Note 5, in respect of the portions held for sale. Given their characteristics, a significant portion of these assets require over 12 months to ready for sale.

13. Cash and cash equivalents

	Euro thousand	
	2010	**2009**
Cash	91,328	95,191
Other cash equivalents	139,076	269,020
	230,404	**364,211**

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

In 2010, the effective average interest rate earned on short-term deposits at banks was 0.53% on euro deposits (2009: 0.62%) and 0.33% on US dollar deposits (2009: 0.22%) and the average deposit term was 10 days.

Of total cash and cash equivalents at 31 December 2010, €220,486k (2009: €344,042k) relates to balances recorded by the joint ventures and UTEs in which the Company has shareholdings, as indicated in Exhibit I.

There were no cash or cash equivalents with restricted availability at 31 December 2010. For the purposes of the statement of cash flows, the cash balance includes cash and other cash equivalents.

14. Capital and share premium

a) Capital

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

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

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

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

At 31 December 2010 and 2009 treasury shares represented 2.83% of the Company's share capital. Treasury shares totalled 1,581,135 and were acquired at an average price of €35.20 per share.

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

	2010		2009	
Shareholder	**No. of shares**	**% shareholding**	**No. of shares**	**% shareholding**
Aragonesas Promoción de Obras y Construcciones, S.L.	2,848,383	5.10%	2,848,383	5.10%
Araltec, S.L.	17,882,564	31.99%	17,882,564	31.99%
Bilbao Vizcaya Holding	1,262,162	2.26%	1,453,385	2.60%
BBVA Elcano Empresarial, SCR, S.A.	1,213,533	2.17%	1,397,401	2.50%
BBVA Elcano Empresarial II, SCR, S.A.	1,213,533	2.17%	1,397,401	2.50%
Other shareholders (including free float)	29,894,690	53.48%	29,335,731	52.48%
Treasury shares	1,581,135	2.83%	1,581,135	2.83%
TOTAL	**55,896,000**	**100.00%**	**55,896,000**	**100.00%**

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

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

d) Share premium

This reserve is freely distributable.

15. Reserves

a) Reserves

	Euro thousand	
	2010	**2009**
Legal and statutory reserves:		
- Legal reserve	1,137	1,137
- Statutory reserve	114,366	93,935
	115,503	95,072

Legal reserve

The legal reserve, which is fully paid in, may not be distributed to shareholders and may only be used to offset losses should sufficient other reserves not be available. It may also be used to increase share capital under certain circumstances.

Statutory reserve

This reserve is freely distributable.

16. Profit for the year

a) Proposed distribution of profit

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

	2010	**2009**
Basis of appropriation		
Profit for the year	87,205	92,780
	87,205	**92,780**
Distribution		
Retained earnings	14,423	19,997
Dividends	72,782	72,783
	87,205	**92,780**

The breakdown of dividends is as follows:

The €72,782k dividend charged against 2010 profits consists of the following:

- A €35,848k interim dividend approved by the Board of Directors on 20 December 2010 and paid in January 2011.
- A proposed dividend of €36,934k to be approved at the AGM called to ratify the 2010 annual accounts.

The €72,782k dividend charged against 2009 profits consists of the following:

- A €35,848k interim dividend approved by the Board of Directors on 15 December 2009 and paid in January 2010.
- A dividend of €36,934k approved at the AGM held to ratify the 2009 annual accounts.

In compliance with article 277 of the Spanish Corporate Enterprises Act, as amended, enacted by Legislative Royal Decree 1/2010 of 2 July 2010, set forth below are the forecast accounting and cash statements as of the dates of payment of the interim dividends:

	Euro thousand	
Forecast accounting statement	**2010**	**2009**
Estimated profit for the year	110,500	88,300
Estimated income tax	(15,000)	(1,500)
Maximum possible payout	95,500	86,800
Proposed payout	(35,848)	(35,848)
Surplus	**59,652**	**50,952**
Cash balance prior to payout	505,000	712,000
Interim dividend	(35,848)	(35,848)
Cash surplus	**469,152**	**676,152**

17. Government grants

The breakdown of non-repayable grants recognised under “Government grants” is as follows:

Grantor	Euro	Use of proceeds	Grant date
Huercal Overa town council	2,261	Huercal Overa concession	28/06/2006
	2,261		

The changes in this heading during the year were as follows:

	Euro	
	2010	**2009**
Opening balance	2,261	680
Additions	-	1,581
Release to income	-	-
Other decreases	-	-
Closing balance	2,261	2,261

18. Provisions

	Euro thousand	
	2010	**2009**
Non-current employee benefit obligations (Note 19)	5,315	5,354
Other provisions	13,382	19,582
Non-current	**18,697**	**24,936**
Other provisions	2,235	3,289
Current	**2,235**	**3,289**

In 2010, the Company recognised provisions amounting to €4,300k (2009: €5,155k). The charge was recognised in “Losses on, impairment of and change in trade provisions” in the accompanying income statement (Note 24.d).

a) Other provisions (non-current)

This balance breaks down as follows:

	Euro thousand	
	2010	**2009**
Provision for project completion	6,971	11,611
Provision for estimated project losses	2,410	2,470
Other provisions	4,001	5,501
Non-current	**13,382**	**19,582**

Provision for project completion:

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

Provision for estimated project losses:

The Company recognises provisions for estimated future losses on projects currently in progress.

Other:

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

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

b) Provisions (current)

This balance corresponds to provisions recognised in connection with current liabilities and charges.

19. Non-current employee benefit obligations

The breakdown of the amounts recognised under non-current employee benefit obligations assumed by the Company vis-à-vis its employees is as follows:

	Euro thousand	
	2010	**2009**
Balance sheet commitments:		
Pension and retirement benefits	5,315	5,354
	5,315	**5,354**
Income statement charges:		
Pension and retirement benefits	1,024	900
	1,024	**900**

Pension and retirement benefits

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

At 31 December 2010 and 2009 there are no assets linked to the defined benefit commitments with employees.

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

	2010	**2009**
Present value of obligations at 1 January	5,354	4,754
Cost of services for the current year	686	624
Interest cost	339	275
Benefits paid and expenses	(444)	(283)
Actuarial gains / (losses) recognised in equity	(620)	(16)
Balance sheet liability	**5,315**	**5,354**

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

	2010	**2009**
Opening balance	5,354	4,754
Income statement charge	405	867
Actuarial gains / (losses) charged to equity	-	16
Contributions paid	(444)	(283)
Closing balance	**5,315**	**5,354**

The amounts recognised in the income statement are as follows:

	2010	**2009**
Cost of services for the current year (Note 24.c)	686	624
Finance cost of discounting provision to present value (Note 25)	338	276
Total income statement charge	**1,024**	**900**

The principal actuarial assumptions used are as follows:

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

20. Current and non-current borrowings

	Euro thousand	
	2010	2009
Bank borrowings	26,858	19,210
Finance lease liabilities	694	846
Derivatives (Note 11)	213	194
Other financial liabilities	95	-
Borrowings (non-current)	**27,860**	**20,250**
Bank borrowings	28,837	450
Derivatives (Note 11)	8,671	7,455
Other financial liabilities	35,905	35,905
Borrowings (current)	**73,413**	**43,810**

a) Bank borrowings

The carrying amount of bank borrowings (both current and non-current) approximates their fair value. The loans are referenced principally to Euribor and Libor, with periodic reset features of up to six months.

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

	2010	2011	2012	2013	Total
2010	-	28,837	4,667	22,191	**55,695**
2009	450	1756	17,454		**19,660**

The carrying amounts of bank borrowings are denominated in the following currencies:

	Euro thousand	
	2010	2009
Euro	50,456	19,660
US dollars and other currencies	5,239	-
	55,695	**19,660**

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

	2010		2009	
	Euro	USD	Euro	USD
Bank borrowings	1.53%	1.33%	1.42%	1.02%

The carrying amount of borrowings (both current and no-current) approximates their fair value. The loans are referenced prinpipally to Euribor and Libor, with periodic reset features of up to six months.

The Company has the following undrawn credit lines:

Floating rate:	Euro thousand	
	2010	2009
– Maturing in less than one year	61,166	50,000
– Maturing in more than one year	-	22,973
	61,166	**72,973**

b) Other financial liabilities (current)

This heading primarily reflects the €35,848k dividend payable at year-end (2009: €35,848k). Note 16.

21. Payable to Group companies and associates

	Euro thousand	
	2010	**2009**
Group companies	67,983	20,899
Associates	27,515	26,699
	95,498	**47,598**

The breakdown of the items comprising this heading is as follows:

	Thousand euro	
	2010	**2009**
Engineering services payable	7,186	9,222
Current loans	60,245	11,081
Other	552	596
Group companies	**67,983**	**20,899**
Engineering services payable	12,855	15,255
Consolidation of UTEs	14,660	11,444
Associates	**27,515**	**26,699**

In 2010, the balances payable to Group companies carried interest at an average rate of Euribor + 0.80bp (2009: 0.80%).

22. Trade and other payables

	Euro thousand	
	2010	**2009**
Due to suppliers	952,701	636,972
Trade payables, Group companies and associates	140,630	74,330
Sundry payables	9,455	7,286
Employee benefit obligations	148	6
Other taxes payable	23,017	24,076
Customer prepayments	354,120	284,000
	1,480,071	**1,026,670**

Discounting has no significant effect on the fair values of trade and other payables. The nominal values of these payables are considered to approximate their fair values.

The carrying amounts of trade payables are denominated in the following currencies:

	Euro thousand	
	2010	**2009**
USD	29,153	47,231
Other currencies	3,644	2,198
	32,796	49,429

23. Income tax and tax matters

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

The reconciliation of income and expenses to taxable income for 2010 is set forth below:

						Euro thousand
						2010
		Income statement				**Income and expense recognised directly in equity**
Recognised income and expense		87,205	**87,205**			
	Additions	**Decreases**		**Additions**	**Decreases**	
Income tax	29,059	-	**29,059**	-	-	**-**
Permanent differences	594	(103,304)	**(102,710)**	-	-	**-**
Temporary differences:	9,850	(12,007)	**(2,157)**	1,009	-	**1,009**
Application of loss carryforwards						
Taxable income (tax loss)			**11,397**			

The breakdown of income tax expense is as follows:

	Euro thousand	
	2010	**2009**
Current tax	2,798	(140)
Deferred tax	474	(1,942)
Outcome of tax assessments	25,787	-
	29,059	(2,082)

The current tax expense recognised in 2010 includes €45k of tax expense related to companies with permanent establishments abroad and deductions applied in the amount of €666k. In addition, the income tax expense for the year includes €25,787k in connection with the outcome of the tax inspection, as detailed further below.

Deferred taxes generated by transactions that have been directly charged to equity in 2010 amounted €1,009k (2009: €2,013k).

The additions attributable to permanent differences correspond to the following items:

	Euro thousand	
	2010	**2009**
Non deductible expenses	594	498
Provisions recognised	-	6,522
	594	**7,020**

The decreases attributable to permanent differences correspond to the following items:

	Euro thousand	
	2010	**2009**
Profits generated abroad (Law 18/82)	64,230	71,347
Double taxation deduction	39,074	32,969
	103,304	104,316

Deferred taxes

	Euro thousand	
	2010	**2009**
Deferred tax assets		
- to be recovered after more than 12 months	16,543	18,026
- to be recovered within 12 months		-
	16,543	**18,026**
Deferred tax liabilities		
- to be recovered after more than 12 months	164	164
- to be recovered within 12 months		-
	164	**164**

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

	2010		2009	
	Assets	**Liabilities**	**Assets**	**Liabilities**
At 1 January	**18,026**	**164**	**18,097**	**164**
Reversals / write-downs	2,955	-	(6,431)	-
Additions	(4,438)	-	6,360	-
At 31 December	**16,543**	**164**	**18,026**	**164**

The deferred taxes relate to the following items:

Deferred tax assets	**Euro thousand**	
	2010	**2009**
Unused tax losses carried forward	3,414	3,414
Unused tax credits carried forward	-	-
Tax credits arising from temporary differences:		
- Hedging reserve	204	912
- Provisions for liabilities and charges	12,925	13,700
	16,543	**18,026**

Deferred tax liabilities	**Euro thousand**	
	2010	**2009**
Hedging reserve	164	164
	164	**164**

Deferred tax assets in respect of unused tax losses carried forward are recognised to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. At 31 December 2010, the Company had not recognised deferred tax assets in the amount of €3,414k (2009: €3,414k) in connection with unused tax losses amounting to €11,381k (2009: €11,381k).

The breakdown of unused tax losses by the year originated is as follows:

Year	**Tax loss**	**Deduction**	**Usable until**
2007	341	102	2022
2008	11,040	3,312	2023
	11,381	**3,414**	

At 31 December 2010, the Company had no unused tax credits (2009: €3,366k). In the past, these credits mainly derived from reinvestment, research and development and export credits.

Outcome of tax assessments:

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

The agreement reached acknowledges that the transfer prices billed by the Group companies to the UTEs in which it participates in exchange for the use of Group resources need to be increased with respect to those historically billed and accepted. As a result of recalculating taxable profit for the years subject to inspection in order to reflect the new agreed prices, the Company's tax expense increases by €10,970k, as indicated in the assessments, plus late interest payments totalling €1,924k.

The Company has proceeded to re-estimate its tax returns for prior years still open to inspection (2009 and 2008) to factor in the new transfer price measurement criteria; as a result the cumulative tax expense payable in those years increases by €13,129k. The same criteria were used to measure transfer prices in 2010.

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

Management, in agreement with its advisors, has concluded that the outcome of the tax assessments should be treated as a change in accounting estimates in keeping with IAS 8, 'Accounting policies, changes in accounting estimates and errors'; as a result, the Company recognised the outcome of the tax assessment in its 2010 income statement.

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

24. Revenue and expense

a) Revenue

The geographic breakdown of the Company's revenues in 2010 and 2009 is set forth below:

Market	**Euro thousand**	
	2010	**2009**
Spain	131,786	401,972
European Union	172,930	420,187
OECD (excl. Spain and EU)	23,314	6,631
Other	1,222,664	684,140
	1,550,694	**1,512,930**

The revenue split by operating segment was as follows:

Business	**Euro thousand**	
	2010	**2009**
Oil & gas	1,173,538	1,069,822
Power	301,308	328,265
Other	75,848	114,843
Total	**1,550,694**	**1,512,930**

b) Foreign currency transactions

The balances corresponding to transactions denominated in foreign currency are the following:

	Euro thousand	
	2010	2009
Revenue from sales	24,470	44,088
Purchases	9,585	49,649
Services received	15,807	16,924

c) Employee benefits expense

	Euro thousand	
	2010	2009
Wages and salaries	155,586	145,222
Termination benefits	1,376	1,112
Staff welfare expenses	31,217	29,714
Charge for employee benefit obligations (Note 19)	244	624
	188,423	**176,672**

Average headcount by professional category:

	2010	2009
Directors and senior management	22	22
Graduates, diploma holders and administrative staff	1,910	1,882
Skilled workers	795	787
Sales staff	19	25
	2,746	2,716

The breakdown of the Company's year-end headcount by gender is as follows:

			2010			2009
	Men	Women	Total	Men	Women	Total
Directors and senior management	20	2	20	20	2	20
Graduates, diploma holders and administrative staff	1,381	534	1,915	1,389	521	1,910
Skilled workers	481	318	799	485	315	800
Sales staff	15	5	20	18	7	25
	1,897	859	2,756	1,912	845	2,757

d) Other expenses

The breakdown of this income statement heading in 2010 was as follows:

	Euro thousand	
	2010	**2009**
Services received	317,298	261,303
Rent and fees	40,156	39,861
Independent professional services	9,906	20,820
Transport expense	9,211	10,349
Repairs and maintenance	3,339	4,249
Insurance premiums	2,463	1,250
Banking and similar services	4,273	3,739
Other	20,389	20,923
External services	**407,035**	**362,494**
Taxes other than income tax	2,181	4,316
Losses on, impairment of and change in trade provisions (Note 18)	9,300	5,155
	418,516	**371,965**

25. Finance income and finance cost

	Euro thousand	
	2010	**2009**
Finance income:		
From equity investments:		
Group companies and associates (Note 8)	42,904	34,854
Third parties	333	132
From marketable securities and other financial instruments:		
Group companies and associates	2,590	935
Third parties	3,881	2,336
	49,708	**38,257**
Finance cost:		
Payable to Group companies and associates	(3,499)	(1,062)
Third-party borrowings	(1,122)	(711)
Discounting of provisions (Note 19)	(339)	(276)
	(4,960)	**(2,049)**
Change in fair value of financial instruments:		
Held for trading and other securities	(524)	1,830
	(524)	**1,830**
Net foreign exchange (losses)/gains	**(62)**	**3,263**
Impairment of and gains (losses) on disposal of financial instruments:		
Impairment charges and losses (Note 8)	1,007	(20,889)
Gains on disposals and other gains	-	-
	1,007	**(20,889)**
Net finance income	**45,169**	**20,412**

26. Contingencies

a) Contingent liabilities

The Company has contingent liabilities relating to bank sureties and other guarantees granted during the ordinary course of business. The contingent liabilities are not expected to give rise to additional material liabilities other than those already provisioned, as disclosed in Note 18. In the ordinary course of the Company's activities, as is common practice with engineering and construction companies, the Company extended guarantees to third parties totalling €1,198,109k (2009: €1,086,609k) in order to duly guarantee contract delivery.

In accordance with the general terms of contracting, the Company is required to provide technical guarantees for the execution of works, in cash or in the form of bank guarantees, which must be upheld for a specified period.

b) Commitments

Capital commitments

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

Operating lease commitments

The Company rents several premises under irrevocable operating lease agreements (Note 6). These leases have variable terms, segment clauses and renewal rights. The Company is required to provide six months' termination notice on these agreements.

Minimum future payments on irrevocable operating leases are as follows:

	2010	2009
Less than 1 year	12,147	11,952
Between 1 and 5 years	12,172	23,369
Over 5 years	154	267

Purchase commitments (suppliers and subcontractors)

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

Supplier payment disclosures under Law 15/2010

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

27. Temporary joint ventures (UTEs) and consortiums

The Company has interests in the UTEs listed in Exhibit I. The amounts set out below represent its percentage interest in the assets, liabilities, revenues and profits of these UTEs. The following amounts are recognised in the balance sheet and income statement:

Assets:	**2010**	**2009**
Non-current assets	47,563	39,929
Current assets	801,244	704,278
	848,807	**744,207**
Liabilities:		
Non-current liabilities	27,026	19,210
Current liabilities	744,468	626,133
	771,494	**645,343**
Net assets	**77,313**	**98,864**
Revenue	828,600	921,496
Expenses	753,652	824,790
Profit after taxes	**74,948**	**96,706**

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

28. Director and senior management compensation

a) Director compensation

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

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

b) Senior management compensation

Total compensation paid in 2010 to senior management was €4,355k (2009: €3,917k).

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

Article 229 of Spain's Corporate Enterprises Act, enacted by means of Legislative Royal Decree 1/2010, of 2 July 2010, obliges directors to inform the boards on which they serve, fellow directors, or if they are sole directors, the General Meeting, of any potential direct or indirect conflict of interest vis-à-vis the entity whose interests they represent. A potentially-conflicted director must abstain from intervening in the resolutions or decisions concerning the transaction giving rise to the conflict in question.

In addition, the board members must disclose any direct or indirect shareholdings they or their related parties hold in the share capital of any other company with the same, similar or complementary corporate purpose as the Company, additionally disclosing the positions/duties discharged at those companies. In this respect, it is hereby noted that:

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

29. Other related-party transactions

As indicated in Note 1, the Company is the parent company of a Group of companies. Related party transactions are as follows:

a) Transactions with the Company's core shareholders

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

All transactions between the Company and the BBVA Group relate to banking activities and are carried out on an arm's length basis.

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

	Euro thousand	
	2010	**2009**
Credit facilities	20,000	30,000
Drawn balances	1,821	-
Guarantees furnished	310,731	265,021
Letter of credit facilities	-	-

In addition, the Company has numerous bank accounts that are necessary to carry out its ordinary business and manages a portion of its cash balances by contracting financial assets through the BBVA Group.

The Company also arranged forward foreign currency sale contracts with the BBVA Group, with notional values totalling USD201,701k and JPY51,165k (2009: USD20,150k and JPY7,484,123k).

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

b) Transactions with Company directors and officers

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

	2010				2009			
	Trade receivables	Trade and other payables	Purchases	Revenue	Trade receivables	Due to suppliers	Purchases	Revenue
Grupo Cepsa	-	-	-	-	1,956	-	-	1,369
Tubos Reunidos	-	-	-	-	-	-	-	-
Schneider	-	-	-	-	-	83	1,823	-
Isolux-Corsan	-	424	424	-	-	-	-	-

These transactions form part of the Company's ordinary course of business and relate to project execution.

Set out below is the breakdown of transactions undertaken with the Santander Group where one of the Company's directors also sits on the board:

	Euro thousand	
	2010	**2009**
Credit facilities	30,000	10,000
Drawn balances	5,887	-
Guarantees furnished	134,028	308,654

The Company also arranged forward foreign currency sale contracts with the Santander Group, with notional amounts totalling USD125,456k and AUD7,400k (2009: USD51,948k and AUD13,000k).

In addition, the Company has numerous bank accounts that are necessary to carry out its ordinary business and manages a portion of its cash balances by contracting financial assets through the Santander Group.

All transactions between the Company and the Santander Group correspond to banking activities and are carried out on an arm's length basis.

Note 28 provides details of the compensation paid to the directors of Técnicas Reunidas, S.A. and its senior officers.

c) Transactions with Group companies, jointly-controlled entities and associates

The table below details aggregate transactions with the Group companies, jointly-controlled entities and associates listed in Note 8:

	Group companies	Jointly-controlled entities and associates
Services received	180,081	1,858
Finance costs	9	-
Total expenses	**180,090**	**1,858**
Services rendered	7,241	24
Finance income	182	-
Dividends received (Note 25)	34,804	-
Total revenue	**42,227**	**24**

The services received and rendered pertain to the Company's ordinary course of business and were conducted on an arm's length basis.

30. Environmental disclosures

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

31. Events after the balance sheet date

Between the balance sheet close and the date the accompanying financial statements were authorised for issue no significant events have occurred that have not been recognised in these financial statements.

32. Audit fees

The fees accrued by PwC in 2010 for audit services amounted to €176k (2009: €176k). The fees accrued by companies using the PwC trademark in 2010 for services other than audit services amounted to €221k (2009: €233k).

EXHIBIT I – TEMPORARY JOINT VENTURES (UTEs) AND CONSORTIUMS IN WHICH THE COMPANY HAS SHAREHOLDINGS

The temporary joint ventures (UTEs) and consortiums included in these annual accounts are the following:

			2010
Name	**Ownership interest**	**Name**	**Ownership interest**
CONSORCIO VIETNAM	20%	UTE EP SINES	80%
TR FRANCIA BRANCH	100%	UTE TR/INITEC DAMIETTA LNG	85%
TR KHABAROVSK BRANCH	100%	UTE TR/INITEC EBRAMEX INGENIERIA	51%
TR MOSCU BRANCH	100%	UTE TR/INITEC INFRA CONS.COMP.LA VIÑA	85%
UTE ALQUILACION CHILE	15%	UTE TR/INITEC JV HAWIYAH GPE	15%
UTE TR/INITEC INFRA CONS.PC.HUERCAL OVERA	85%	UTE TR/INITEC INFRA CONSTRUCCI.PARCELA S	85%
UTE HDT/HDK FASE II	15%	UTE TR/INITEC KJT PR. LNG	85%
UTE HYDROCRACKER HUNGARY	15%	UTE TR/INITEC MINATRICO INGENIERIA	51%
UTE INITEC/TR JU'AYMAH GPE	15%	UTE TR/INITEC P.I. JV TR RABIGH DP	85%
UTE INITEC/TR MEJILLONES	15%	UTE TR/INITEC PROYECTO DGC CHILE	15%
UTE INITEC/TR PLANTAS HDT Y HCK	15%	UTE TR/INTERCONTROL VARIANTE PAJARES	80%
UTE INITEC/TR RKF ARGELIA	15%	UTE TR/IONICS RAMBLA MORALES	40%
UTE INITEC/TR SAIH RAWL	15%	UTE TR/IONICS/TCOSA/CHSA DEP.OROPESA	25%
UTE INITEC/TR TFT ARGELIA	15%	UTE TR/IPI ELEFSINAS	65%
UTE PEIRAO XXI	50%	UTE TR/IPI KHABAROVSK	15%
UTE TR POWER	85%	UTE TR/IPI REFINERIA SINES GALP	85%
UTE TR/ALTAMARCA COMPLEJO LA VIÑA	100%	UTE TR/KV CON.PL.Y URB.ZALIA	50%
UTE TR/ALTAMARCA PISCINA CUBIERTA	100%	UTE TR/LOGPLAN A.T.AENA	55%
UTE TR/ALTAMARCA/HMF C.ALCOBENDAS	67%	UTE TR/PAI URBANIZACION CALAFELL	55%
UTE TR/ANETO RED NORTE OESTE	50%	UTE TR/RTA VILLAMARTIN	50%
UTE TR/ARDANUY ALGECIRAS	70%	UTE TR/SEG PORTAS	50%
UTE TR/ASFALTOSY CONS.APARCAM.ALCOBENDAS	50%	UTE TR/SERCOAL EDIFICIO SERVICIOS MULTIPLES	50%
UTE TR/ESPINDESA	25%	UTE TR/SEG PROY.NT AENA	70%
UTE TR/ESPINDESA - PEL SINES	85%	UTE TR/SENER PROEYCTO HPP GEPESA	60%
UTE TR/ESPINDESA - TR AKITA	85%	UTE TR/SERCOAL CENTRO DE DIA	50%
UTE TR/FERROVIAL LA PLANA DEL VENT	58%	UTE VALORIZA TR SS2	50%
UTE TR/GDF AS PONTES	50%	UTE TR/SOLAER I.S.F. MORALZARZAL	90%
UTE TR/GDF BARRANCO DE TIRAJANA	50%	UTE TANQUE MEJILLONES	15%
UTE TR/TECNORESIDUOS PT VALDEMINGOMEZ	90%	UTE TR/TREC OPER.DESALADORA R.MORALES	50%
UTE TR/GDF CTCC PUERTO DE BARCELONA	50%	UTE TR/TRIMTOR EDAR LIBRILLA	50%
UTE TR/GEA COLECTOR PLUVIALES H.O.	80%	UTE TR/GDF CTCC BESOS	50%
UTE TR/GEA/SANHER EL CARAMBOLO.	40%	TR ABU DHABI SAS BRANCH	100%
UTE TR/GUEROLA CENTRAL TERMOSOLAR	50%	UTE TR RUP TURQUIA	80%
UTE TR/I.P.I. TR JUBAIL	85%	UTE TR YANBU REFINERY - TRYR	80%
UTE TR/I.P.I. ABUH DABIH -SAS	15%	UTE TR ABU DHABI SHAH I	15%
UTE TR/I.P.I. C.P.BIO BIO	15%	UTE MARGARITA	15%
UTE TR/I.P.I. FENOLES KAYAN	85%	UTE PERELLO tr/vialobra	50%

Name	Ownership interest	Name	Ownership interest
			2009
INT VIETNAM	20%	UTE TR/INITEC DAMIETTA LNG	85%
TR FRANCIA BRANCH	100%	UTE TR/INITEC EBRAMEX INGENIERIA	51%
TR KHABAROVSK BRANCH	100%	UTE TR/INITEC INFRA CONS.COMP.LA VIÑA	85%
TR MOSCU BRANCH	100%	UTE TR/INITEC INFRA CONS.PC.HUERCAL OVERA	85%
UTE ALQUILACION CHILE	15%	UTE TR/INITEC INFRA CONSTRUCCI.PARCELA S	85%
UTE HDT/HDK FASE II	15%	UTE TR/INITEC JV HAWIYAH GPE	15%
UTE HYDROCRACKER HUNGARY	15%	UTE TR/INITEC KJT PR. LNG	85%
UTE INITEC/TR JU'AYMAH GPE	15%	UTE TR/INITEC MINATRICO INGENIERIA	51%
UTE INITEC/TR MEJILLONES	15%	UTE TR/INITEC P.I. JV TR RABIGH DP	85%
UTE INITEC/TR RKF ARGELIA	15%	UTE TR/INITEC PROYECTO DGC CHILE	15%
UTE INITEC/TR PLANTAS HDT Y HCK	15%	UTE TR/INTERCONTROL VARIANTE PAJARES	80%
UTE INITEC/TR SAIH RAWL	15%	UTE TR/IONICS RAMBLA MORALES	40%
UTE INITEC/TR TFT ARGELIA	15%	UTE TR/IONICS/TCOSA/CHSA DEP.OROPESA	25%
UTE MEIRAMA	14%	UTE TR/IPI ELEFSINAS	85%
UTE TR POWER	85%	UTE TR/IPI KHABAROVSK	15%
UTE TR/ALTAMARCA COMPLEJO LA VIÑA	80%	UTE TR/IPI REFINERIA SINES GALP	85%
UTE TR/ALTAMARCA PISCINA CUBIERTA	80%	UTE TR/KV CON.PL.Y URB.ZALIA	50%
UTE TR/ALTAMARCA/HMF C.ALCOBENDAS	34%	UTE TR/LOGPLAN A.T.AENA	55%
UTE TR/ANETO RED NORTE OESTE	50%	UTE TR/PAI URBANIZACION CALAFELL	55%
UTE TR/ARDANUY ALGECIRAS	70%	UTE TR/PYCSA CUEVAS DEL CAMPO	50%
UTE TR/ASFALTOSY CONS.APARCAM.ALCOBENDAS	50%	UTE TR/RTA VILLAMARTIN	50%
UTE TR/CTCI GUANDONG EO/EG	90%	UTE TR/SEG PORTAS	50%
UTE TR/CTCI JIANGSU SERVICIOS	90%	UTE TR/SEG PROY.NT AENA	70%
UTE TR/CTCI JIANGSU SUMINISTROS	90%	UTE TR/SERCOAL CENTRO DE DIA	50%
UTE TR/ESPINDESA	25%	UTE TR/SERCOAL EDIFICIO SERVICIOS MULTIPLES	50%
UTE TR/ESPINDESA - PEL SINES	85%	UTE TR/SOLAER I.S.F. MORALZARZAL	90%
UTE TR/ESPINDESA - TR AKITA	85%	UTE TR/TECNORESIDUOS PT VALDEMINGOMEZ	90%
UTE TR/FERROVIAL LA PLANA DEL VENT	58%	UTE TR/TREC OPER.DESALADORA R.MORALES	50%
UTE TR/GDF AS PONTES	50%	UTE TR/TRIMTOR DEP.CAÑADA GALLEGO	50%
UTE TR/GDF BARRANCO DE TIRAJANA	50%	UTE TR/TRIMTOR EDAR LIBRILLA	50%
UTE TR/GDF CTCC BESOS	50%	UTE TR/TT HORNOS RUSIA	95%
UTE TR/GDF CTCC PUERTO DE BARCELONA	50%	UTE VALORIZA TR SS2	50%
UTE TR/GUEROLA CENTRAL TERMOSOLAR	50%	INT UE CAMB ANAV	50%
UTE TR/HEYMO/AEROPUESTOS DE PARIS	40%	UTE PEIRAO XXI	50%
UTE TR/I.P.I. TR JUBAIL	85%	UTE TR/GEA COLECTOR PLUVIALES H.O.	80%
UTE TR/I.P.I. ABUH DABIH -SAS	15%	CONSORCIO ECUADOR	100%
UTE TR/I.P.I. C.P.BIO BIO	15%	UTE TR/MASTER (EXPO ZARAGOZA)	50%
UTE TR/I.P.I. FENOLES KAYAN	85%	UTE TR/MASTER (being unwound)	50%
UTE TR/I.P.I. OFFSITES ABUH DABIH	85%	UTE EP SINES	80%
		UTE TR/GEA/SANHER EL CARAMBOLO.	40%

2010 DIRECTORS' REPORT

1. Business performance

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

Operating profit (EBIT) amounted to €71 million, broadly flat year-on-year. However, profit after tax was lower than in 2009, at €87 million, due to the impact of tax assessments raised by Spain's tax authorities. Revenue was 2.5% higher year-on-year in 2010 at €1.55 billion. The Company's net cash at 31 December 2010 stood at €175 million.

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

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

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

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

Oil

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

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

2010 DIRECTORS' REPORT

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

The main project awards in 2010 are as follows:

- At the beginning of the year, Tüpras hired Técnicas Reunidas to engineer and build the Izmit refinery modernisation project in Turkey. The contract was signed under an open book arrangement, with scope for conversion to a lump sum turnkey regime at a later stage. The project encompasses the hydrocracker, vacuum, coker, naphtha hydrogenation, diesel desulfurization, hydrogen, sulphur recovery, amine regeneration and sour water stripping units. TR had already worked for Tüpras in the past on a long-term basis, having also worked on an earlier project at the Izmit refinery. This project is an important milestone for the Company, not only in terms of client investment volumes, the project's technical complexity and the resultant geographic diversification of the pipeline, but because it demonstrates the satisfaction and loyalty of TR's clients.

- Also during 1Q10, Petroperú awarded TR the contract for the modernisation of the Talara refinery. This contract was also signed under an open book arrangement, convertible to turnkey. The project encompasses, on the one hand, the extension and revamping of existing processing units such as the distillation, FCC and vacuum distillate units, as well as the construction of new processing units, including a diesel hydrotreater, an FCC naphtha hydrotreater, a new vacuum, a flexicoker, a naphtha hydrotreater, catalytic reforming unit, hydrogen plant, sulphuric acid recovery plant, amine plant and a cogeneration unit. The project also entails the extension and revamping of auxiliary services. This project is strategic to TR because the Talara flexicoker will be only the seventh of its kind in the world and the second built by TR, making it the second company in the world to design this class of technologically advanced unit. With this, TR has reinforced its global positioning as a supplier of top-end refining technological know-how. This project also implied a qualitative leap in terms of the size of contracts awarded to TR in the region. The fact that Petroperu chose TR for one of its most important projects highlights, once again, TR's international reputation and unique positioning vis-à-vis upcoming investment projects in Latin America.

- In 3Q10, Saudi Aramco awarded TR one of the main projects at the Yanbu refinery in Saudi Arabia. This turnkey contract entails the engineering, procurement and construction of a coking unit with 114,463 bpd capacity to process vacuum residue from Arabian heavy crude oil and a small stream of heavy hydrocracker purge. Additionally, TR will construct a mercaptan removal unit of 12,000 bpd LPG treatment capacity. This will be one of the biggest delayed coking units in the world, providing Técnicas Reunidas with the opportunity to participate in a very high-tech project and marking the seventh contract awarded to TR by Saudi Aramco.

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

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

Power

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

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

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

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

- Participation in the engineering work for the Lungmen (Taiwan) NPP for the Taiwan Power Corporation (TPC), encompassing two 1,360 MW ABWRs (advanced boiling water reactors), in joint venture with General Electric Nuclear Energy.
- ITER experimental fusion reactor. Preparation of the technical specifications for the Fusion for Energy (the ITER experimental reactor) tender (under a design and build scheme) for the manufacture of the PF coils to be included in the ITER facility in Cadarache (France).
- Participation in the Taishan NPP project in the province of Guangdong, China, working for the consortium made up of Areva and two CGNPC subsidiaries, China Nuclear Power Engineering Company (CNPEC) and China Nuclear Power Design Company (CNPDC). This project includes the design and construction of the two EPR units.
- Participation in the Olkiluoto 3 project in Finland for Teollisuuden Voima Oyj (TVO). TR will provide its services to the consortium comprising Areva and Siemens which is designing the world's first third-generation EPR reactor.
- Participation in the Fennovoima Oy project in Finland for the consortium comprising Voimaosakeyhtiö SF and E.ON Kärnkraft Finland. TR will provide its services to Areva for the design of a new NPP. The ultimate client assigned the project to two providers, Areva and Toshiba, and will award the construction project to the best design proposal in one year's time.

- Collaboration on the engineering development and design of the new passive 1,550 MW third-generation ESBWR (economical simplified boiler water reactor) reactor for General Electric-Hitachi (GEH). The services included supporting GEH in obtaining ESBWR design certification from the US Nuclear Regulatory Commission (NRC) and applying for the Combined Construction and Operation Licence (COL) for specific US plant projects to be equipped with an ESBWR reactor.

- Participation in a number of R&D projects under the umbrella of the EU's sixth and seventh Framework Programmes related to the development of future nuclear power plants within the international program for the development of Gen IV reactors to be operational within a time horizon of 30 years.

- Management of the project for dismantling Block V-1 of the Bohunice NPP in Slovakia. London-based EBRD is to provide the project financing.

- Preparation of the technical specifications for the tender for the construction of an NPP using PWR (pressurised water reactor) technology in the Czech Republic for power utility ČEZ.

- Consultancy services for Lithuanian power utility VAE with a view to executing the new Visigino NPP in Lithuania.

- Consultancy services for Swiss power utility NOK (RESUN) in preparing the studies and documentation required to apply for the initial permit to build a new NPP in Switzerland equipped with a light water reactor.

- Management of the Project Management Unit, financed by London-based EBRD, for the design, permitting and site selection for the construction of a low and medium radioactive waste storage and conditioning facility in Bulgaria.

Infrastructure

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

Projects in the orderbook made satisfactory progress in 2010.

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

2. Financial indicators

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

In 2010, the Company's revenue climbed 2.5% year-on-year to €1.55 billion, extending the growth of prior years.

EBIT amounted to €71 million, implying an EBIT margin of 4.5%.

Profit after tax was €87 million, heavily eroded by the tax assessments raised against the Company.

3. Research and development

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

4. Event after the balance sheet date

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

5. Treasury share purchasing activity

There was no trading in treasury shares in 2010.

6. Financial risk management and use of financial instruments

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

7. Other business risk factors

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

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

8. Average Group headcount by category

Category:	2010	2009
Directors and senior management	22	22
Graduates, diploma holders	1,910	1,882
Skilled workers	795	787
Sales staff	19	25
TOTAL	2,746	2,716

9. Environmental disclosures

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

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

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

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

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

11. Restrictions on voting rights

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

12. Shareholder agreements

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

- Shareholder voting agreement for the pooling of votes on the Company's government bodies encompassing the shares held by Mr. José Lladó Fernández Urrutia (through Araltec, S.L. and

Aragonesas Promoción de Obras y Construcciones, S.L.) and those held by BBVA Elcano Empresarial, SCR and BBVA Elcano Empresarial II, SCR, in order to give the majority vote to the companies controlled by Mr. José Lladó Fernández Urrutia.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There are no such agreements in force.

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

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

17. Corporate governance report

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