TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements and
Interim Consolidated Management Report for the
six-month period ending June 30, 2019
and Limited Review Report

GRUPO TÉCNICAS REUNIDAS

TÉCNICAS REUNIDAS, S.A.
AND ITS SUBSIDIARIES

Report on Limited Review of
Condensed Consolidated Interim Financial Statements
as at June 30, 2019

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.

REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Técnicas Reunidas, S.A.

Report on the Condensed Interim Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of Técnicas Reunidas, S.A. (hereinafter, the parent company) and its subsidiaries (hereinafter, the group), which comprise the interim balance sheet as at June 30, 2019, and the interim income statement, interim statement of other comprehensive income, interim statement of changes in equity, interim cash flow statement and related notes, all condensed and consolidated, for the six months period then ended. The parent company´s directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six months period ended June 30, 2019 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, “Interim Financial Reporting”, as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

Emphasis of Matter

We draw attention to Note 2, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended December 31, 2018. This matter does not modify our conclusion.

Other information: interim consolidated directors’ Report

The accompanying interim consolidated directors’ Report for the six months period ended June 30, 2019 contains the explanations which the parent company´s directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this directors’ Report is in agreement with that of the interim financial statements for the six months period ended June 30, 2019. Our work is limited to checking the interim consolidated directors’ Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Técnicas Reunidas, S.A. and its subsidiaries´ accounting records.

Other Matters

This report has been prepared at the request of the Board of Directors in relation to the publication of the half-yearly financial report required by Article 119 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by the Royal Decree 1362/2007, of 19 October.

PricewaterhouseCoopers Auditores, S.L.	Deloitte, S.L.
Original in Spanish signed by	Original in Spanish signed by
Goretty Álvarez	F. Javier Peris Álvarez
July 31, 2019	July 31, 2019

Contents of the interim condensed consolidated financial statements of Técnicas Reunidas, S.A. and Subsidiaries

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AT JUNE 30, 2019
(Amounts in thousands of euros)

	Note	At 30 June 2019 (unaudited)	At 31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	9	32,915	34,558
Goodwill	9	1,242	1,242
Other intangible assets	9	54,126	55,066
Rights of use over leased assets	10	48,465	-
Investments in associates		10,351	12,728
Deferred tax assets		317,494	319,260
Derivative financial instruments	11.a	1,315	129
Accounts receivable and other financial assets	11.a	70,884	91,877
		536,792	**514,860**
Current assets			
Inventories		25,002	23,037
Trade and other receivables		2,695,303	2,421,725
Accounts receivable and other financial assets	11.a	12,531	10,564
Derivative financial instruments	11.a	8,192	9,102
Financial assets at fair value through profit or loss	11.a	65,466	64,817
Cash and cash equivalents		687,761	680,780
		3,494,255	**3,210,025**
Total assets		**4,031,047**	**3,724,885**

Notes 1 to 18 mentioned in the attached Explanatory Notes form an integral part of these Interim Condensed Consolidated Financial Statements.

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AT JUNE 30, 2019
(Amounts in thousands of euros)

	Note	At 30 June 2019 (unaudited)	At 31 December 2018
EQUITY			
Share capital and Reserves attributable to the Parent company's shareholders			
Share capital	**12**	5,590	5,590
Share premium		8,691	8,691
Treasury shares	**12**	(73,628)	(74,116)
Legal reserve		1,137	1,137
Capitalisation reserve		3,056	3,056
Hedging reserve		(14,700)	(7,292)
Cumulative translation differences		(39,983)	(38,528)
Retained earnings		456,811	446,478
Equity attributable to the owners of the Parent company		**346,974**	**345,016**
Non-controlling interests		**13,736**	**13,571**
Total equity		**360,710**	**358,587**
LIABILITIES			
Non-current liabilities			
Borrowings	**11.b,d**	311,558	388,491
Financial debt associated with rights of use of leased assets	**10**	23,965	-
Derivative financial instruments	**11.b**	3,154	1,242
Deferred tax liabilities		37,326	54,293
Other accounts payable	**11.b**	614	356
Other financial liabilities	**11.b**	42	42
Employee benefit obligations		2,593	2,464
Provisions for contingencies and charges	**13**	27,178	39,639
		406,430	**486,527**
Current liabilities			
Trade payables		2,942,500	2,654,069
Current tax liabilities		25,068	33,660
Borrowings	**11.b,d**	191,534	99,402
Financial debt associated with rights of use of leased assets	**10**	24,700	-
Derivative financial instruments	**11.b**	49,356	55,044
Other accounts payable	**11.b**	543	7,733
Provisions for contingencies and charges	**13**	30,206	29,863
		3,263,907	**2,879,771**
Total liabilities		**3,670,337**	**3,366,298**
Total equity and liabilities		**4,031,047**	**3,724,885**

Notes 1 to 18 mentioned in the attached Explanatory Notes form an integral part of these Interim Condensed Consolidated Financial Statements.

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX-MONTH PERIOD ENDED ON JUNE 30, 2019
(Amounts in thousands of euros)

	Note	Six-month period ended on 30 June	
		2019 (unaudited)	**2018 (unaudited)***
Revenue		2,216,655	2,259,474
Changes in inventories		2,012	1,786
Procurements		(1,729,527)	(1,690,420)
Employee benefit expenses		(311,068)	(300,644)
Depreciation, amortisation and impairment losses	**9**	(19,004)	(8,310)
Other operating expenses		(134,734)	(248,751)
Other operating income		3,043	4,145
Profit/(loss) for the period		**27,377**	**17,280**
Finance income		3,592	3,564
Finance costs		(6,713)	(6,285)
Net exchange differences		(3,143)	(3,806)
Share in profit/(loss) of associates		(1,815)	(808)
Profit before tax		**19,298**	**9,945**
Income tax	**8**	(5,715)	(3,183)
Profit for the period		**13,583**	**6,762**
Attributable to:			
Shareholders of the Parent company		13,356	5,492
Non-controlling interests		227	1,270
		13,583	**6,762**
Earnings per share of the profit attributable to ordinary equity instrument holders of the entity (EUR per share)			
- Basic and diluted	**12**	0.25	0.10

*Restated (see Note 2.2)
Notes 1 to 18 mentioned in the attached Explanatory Notes form an integral part of these Interim Condensed Consolidated Financial Statements

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED ON JUNE 30, 2019
(Amounts in thousands of euros)

	Six-month period ended on 30 June	
	2019 (unaudited)	**2018 (unaudited)***
Profit/(loss) for the period	**13,583**	**6,762**
Items that may be reclassified to profit or loss		
Cash flow hedges	(8,158)	(11,963)
Tax effect	750	2,092
Cash flow hedges, net of tax	(7,408)	(9,871)
Exchange differences on translation of foreign operations	(1,422)	(2,137)
Total items that may be reclassified to profit or loss	**(8,830)**	**(12,008)**
Other comprehensive income for the period, net of tax	**(8,830)**	**(12,008)**
Total comprehensive income for the period	**4,753**	**(5,246)**
Attributable to:		
- Owners of the Parent company	4,493	(6,507)
- Non-controlling interests	260	1,261
Total comprehensive income for the period	**4,753**	**(5,246)**

*Restated (see Note 2.2)
Notes 1 to 18 mentioned in the attached Explanatory Notes form an integral part of these Interim Condensed Consolidated Financial Statements.

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED ON JUNE 30, 2019
(Amounts in thousands of euros)

	Attributable to the owners of the Parent company								
	Share capital and share premium	Treasury shares	Voluntary and capitalisation reserves	Hedging reserve	Cumulative translation differences	Retained earnings	Interim dividend	Non-controlling interests	Total equity
Balance at 31 December 2018	**14,281**	**(74,116)**	**4,193**	**(7,292)**	**(38,528)**	**446,478**	**-**	**13,571**	**358,587**
Comprehensive income for the period									
Profit/(loss) for the period	-	-	-	-	-	13,356	-	227	13,583
Other comprehensive income									-
Cash flow hedges, net of tax	-	-	-	(7,408)	-	-	-	-	(7,408)
Exchange differences on translation of foreign operations	-	-	-	-	(1,455)	-	-	33	(1,422)
Total other comprehensive income	-	-	-	(7,408)	(1,455)	-	-	33	(8,830)
Total comprehensive income for the period	**-**	**-**	**-**	**(7,408)**	**(1,455)**	**13,356**	**-**	**260**	**4,753**
Transactions with owners in their capacity as such:									
Treasury share transactions (net)	-	488	-	-	-	(136)	-	-	352
Distribution of 2018 profit	-	-	-	-	-	-	-	(95)	(95)
Other changes	-	-	-	-	-	(2,887)	-	-	(2,887)
Total transactions with owners in their capacity as such	**-**	**488**	**-**	**-**	**-**	**(3,023)**	**-**	**(95)**	**(2,630)**
Balance at 30 June 2019 (unaudited)	**14,281**	**(73,628)**	**4,193**	**(14,700)**	**(39,983)**	**456,811**	**-**	**13,736**	**360,710**

Notes 1 to 18 mentioned in the attached Explanatory Notes form an integral part of these Interim Condensed Consolidated Financial Statements.

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED ON JUNE 30, 2019
(Amounts in thousands of euros)

	Attributable to the owners of the Parent company								
	Share capital and share premium	Treasury shares	Voluntary and capitalisation reserves	Hedging reserve	Cumulative translation differences	Retained earnings	Interim dividend	Non-controlling interests	Total equity
Balance at 31 December 2017	**14,281**	**(73,041)**	**4,193**	**15,836**	**(31,840)**	**551,494**	**(35,852)**	**18,233**	**463,304**
Adjustment for the adoption of IFRS 9 (net of tax)	-	-	-	-	-	(19,829)	-	-	(19,829)
Adjustment for the adoption of IFRS 15 (net of tax)	-	-	-	-	-	(34,425)	-	-	(34,425)
Balance at 1 January 2018 (unaudited)	**14,281**	**(73,041)**	**4,193**	**15,836**	**(31,840)**	**497,240**	**(35,852)**	**18,233**	**409,050**
Comprehensive income for the period									
Profit/loss for the period	-	-	-	-	-	5,492	-	1,270	6,762
Other comprehensive income									-
Cash flow hedges, net of tax	-	-	-	(9,871)	-	-	-	-	(9,871)
Exchange differences on translation of foreign operations	-	-	-	-	(2,128)	-	-	(9)	(2,137)
Total other comprehensive income	-	-	-	(9,871)	(2,128)	-	-	(9)	(12,088)
Total comprehensive income for the period	**-**	**-**	**-**	**(9,871)**	**(2,128)**	**5,492**	**-**	**1,261**	**(5,246)**
Transactions with owners in their capacity as such:									
Treasury share transactions (net)	-	(529)	-	-	-	(25)	-	-	(554)
Distribution of 2017 profit	-	-	-	-	-	(50,000)	35,852	(3,278)	(17,426)
Other changes	-	-	-	-	-	(3,766)	-	-	(3,766)
Total transactions with owners in their capacity as such	**-**	**(529)**	**-**	**-**	**-**	**(53,791)**	**35,852**	**(3,278)**	**(21,746)**
Balance at 30 June 2018 (unaudited)	**14,281**	**(73,570)**	**4,193**	**5,965**	**(33,968)**	**448,941**	**-**	**16,216**	**382,058**

Notes 1 to 18 mentioned in the attached Explanatory Notes form an integral part of these Interim Condensed Consolidated Financial Statements.

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE SIX-MONTH PERIOD ENDED ON JUNE 30, 2019 (in thousands of euros)

	Six-month period ended on 30 June	
	2019 (unaudited)	**2018 (unaudited)**
Cash flows from operating activities		
Profit/(loss) for the period	13,583	6,762
Adjustments to profit/(loss)		
Corporate tax	5,715	3,251
Depreciation/amortisation of property, plant and equipment and intangible assets	6,368	8,310
Amortisation of rights of use of leased assets	12,636	-
Net change in provisions	7,538	5,306
Share in profit/(loss) of associates	1,815	808
Changes in fair value of financial instruments	(649)	(650)
Interest income	(2,943)	(2,915)
Interest expense	6,713	5,941
Change in gains/(losses) on derivatives	8,990	10,998
Exchange differences	3,143	3,806
Other income and expenses	129	839
Changes in working capital:		
Inventories	(1,964)	(1,802)
Trade and other receivables	(299,691)	(54,759)
Other financial assets	-	123
Trade payables	287,493	43,221
Other accounts payable	(1,798)	(11,921)
Hedging derivative settlements and other variations	(20,997)	24,868
Other cash flows from operating activities:		
Interest paid	(6,639)	(5,248)
Interest received	2,928	2,915
Taxes paid	(12,023)	(21,775)
Net cash flows (applied)/generated to/from operating activities	**10,348**	**18,078**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3,625)	(2,773)
Acquisition of intangible assets	(242)	(821)
Investments in associates	562	(34)
Disposal of long-term assets	75	862
Net cash flows (applied)/generated in investing activities	**(3,230)**	**(2,766)**
Cash flows from financing activities		
Financial debt obtained in de period	352,000	403,354
Repayment of financial debt	(339,468)	(274,291)
Dividends paid	(97)	(39,139)
Payments on rights of use of leased assets	(12,924)	-
Net acquisition / disposal of own shares	352	(554)
Net cash flows (applied)/generated in financing activities	**(137)**	**89,370**
Net change in cash and cash equivalents	**6,982**	**104,682**
Cash and cash equivalents at beginning of year	**680,780**	**569,939**
Cash and cash equivalents at end of year	**687,762**	**674,621**

Notes 1 to 18 mentioned in the attached Explanatory Notes form an integral part of these Interim Condensed Consolidated Financial Statements.

EXPLANATORY NOTES FOR THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING JUNE 30, 2019.

1. General information

TÉCNICAS REUNIDAS, S.A. (the "Company" or the "Parent company") and its subsidiaries (together, the "Group") was incorporated on July 6, 1960 as a public limited liability company. It is registered with the Mercantile Registry of Madrid in volume 1,407, sheet 5,692, page 129. The latest adaptation and amendment of its Articles of Association is registered in volume 22,573, section 8, book 0, page 216, sheet M-72319, entry 192.

The registered office of TÉCNICAS REUNIDAS, S.A. is located at Arapiles 14, 28015, Madrid, Spain. Its headquarters are located at Arapiles 13, 28015, Madrid, Spain.

The Company's corporate purpose is described in article 4 of the Articles of Association and consists of the performance of all manner of engineering and construction services for industrial plants, ranging from viability or basic and conceptual engineering studies to large and complex turnkey engineering and design projects, management of supply, equipment and material deliveries and construction of plants and related or associated services, such as technical assistance, construction supervision, project management, technical management, start-up and training.

Within its engineering services business, the Group operates through various business lines, mainly in the oil and gas, power and infrastructure sectors.

Since June 21, 2006, all shares of Técnicas Reunidas, S.A. have been admitted to trading on the four Spanish stock exchange and are listed on the continuous market.

The companies that make up the Group close their financial year on December 31.

The financial statements of Técnicas Reunidas, S.A. (Parent) and the consolidated financial statements of Técnicas Reunidas, S.A. and subsidiaries for 2018 were authorised for issue by the Board of Directors on February 27, 2019 and approved by the shareholders at the Annual General Meeting held on June 26, 2019.

These interim condensed consolidated financial statements (hereinafter "interim condensed consolidated financial statements" or "interim financial statements") were prepared and authorised for issue by the Board of Directors on July 30, 2019. These interim financial statements have been subject to limited review but have not been audited.

The figures contained in these interim consolidated financial statements are shown in thousands of euros, unless expressly stated otherwise.

2. Basis of presentation

2.1 General information

These interim financial statements for the six months ended June 30, 2019 have been prepared in accordance with IAS 34, “Interim Financial Reporting”, and therefore do not include all the information that would be required by complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the EU. Therefore, the accompanying interim financial statements should be read together with the consolidated annual financial statements accounts of the group for the year ended December 31, 2018, prepared in accordance with International Financial Reporting Standards as adopted by the EU (EU-IFRS).

2.2 Comparative information

For comparative purposes, the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated cash flow statement as at June 30, 2019 are presented with information relating to the six-month period ended June 30, 2018 and the interim condensed consolidated balance sheet is presented with information relating to the year ended December 31, 2018.

Since the concession activities were no longer considered a discontinued activity after June 30, 2018, the interim condensed consolidated income statement and the interim condensed consolidated statement of comprehensive income for the six-month period ended June 30, 2018 have been restated to be comparable with the six-month period ended June 30, 2019. The effect on the interim condensed consolidated income statement is as follows:

	Six-month period ended on 30 June		
Interim condensed consolidated income statement	**2018 (unaudited)**	**Discontinued operations**	**2018 (unaudited) restated**
Other operating income	888	3,257	4,145
Depreciation, amortisation and impairment losses	(8,310)	-	(8,310)
Other operating expenses	(245,626)	(3,125)	(248,751)
Profit/(loss) for the period	**17,148**	**132**	**17,280**
Finance costs	(5,941)	(344)	(6,285)
Profit before tax	**10,158**	**(213)**	**9,945**
Income tax	(3,251)	68	(3,183)
Profit from continuing operations	**6,907**	**(145)**	**6,762**
Profit for the period from discontinued operations	(145)	145	-
Profit for the period	**6,762**	**-**	**6,762**

3. Accounting policies

Except as indicated below, the accounting policies applied are consistent with those applied in the 2018 consolidated financial statements.

Accrued taxes on interim period results are calculated on the basis of the weighted average tax rate estimated by management that would be applicable to the expected total annual result.

3.1. Standards, amendments and interpretations adopted by the EU and that enter into force on January 1, 2019.

IFRS 16 “Leases”

IFRS 16 replaces IAS 17 Leases, IFRIC Interpretation 4: Determination of whether an arrangement contains a lease, SIC-15 Operating Leases - Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

This new standard establishes a single accounting model for leases on the balance sheet of the lessee. The lessee recognises the right to use an asset that represent their right to use this asset and a liability that represents their obligation to make lease payments. The Standard includes two exceptions to recognising the rights of use in the accounting of the lessees, leases of low-value assets and short-term leases (agreements with a lease term of less than 12 months)

According to this standard, lessees must recognise a financial liability on the consolidated balance sheet for the present value of the payments to be made for the remaining term of the lease and an asset for the right to use the underlying asset, which is measured by using the amount of the associated liability as a reference, plus any initial direct costs incurred.

In addition, the expenses related to these leases are presented, in accordance with the requirements of IFRS 16, as amortisation expenses for the right to use the assets and as finance costs for the liabilities associated with the leases. The standard does not substantially change with regard to the accounting by the lessor, which must continue to classify each lease as an operating lease or a finance lease, depending on the degree in which the risks and rewards incidental to ownership are substantially transferred.

The Group has applied the following policies, estimates and criteria:

- IFRS 16 was applied on January 1, 2019 using the modified retrospective method, recognising the cumulative effect of the initial application on the date of initial application without restatement of comparative information. Furthermore, the Company decided to measure the initial right to use the asset at an amount equal to the lease liability at January 1, 2019 for all leases.

- The exceptions applied for recognising leases in which the underlying asset is of low value (less than USD 5,000) and short-term leases (maturing in less than or equal to 12 months). Likewise, this standard was not applied to intangible assets.

- The practical expedient indicated in paragraph C3 of appendix C of IFRS 16 was applied, which stipulates that an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application.

- It has been decided not to record separately components that are not leases from those that are for those asset classes in which the relative importance of these components is not significant as against the total value of the lease.

- An incremental borrowing rate was applied for each homogeneous lease portfolio, country and term of the agreement, obtained in each case from market data. The interest rate ranges from 1.20% to 10.68%.

- To determine the lease term as the non-cancellable period of a lease, the Group has taken into consideration the initial period of each agreement, unless it has a unilateral option to extend or terminate the lease, and whether there is reasonable certainty that this option will be exercised, in which case the corresponding period for the extension or early termination of the lease will be considered. Given the Group’s activities and the type of assets subject to leases, in most cases the term of the leases coincides with the non-cancellable period (with the exception of certain offices).

The first-application impacts were as follows:

	1 January 2019
Non-current assets	
Rights of use over leased assets	58,449
Non-current liabilities	
Liabilities associated with rights of use of leased assets	34,411
Current liabilities	
Liabilities associated with rights of use of leased assets	24,038

Detailed information regarding the Rights of use of leased assets is contained in note 10 to the interim financial statements.

Other amendments and/or interpretations that have been approved by the EU and that entered into force on January 1, 2019 are as follows:

- Annual improvements to IFRS, 2015-2017 cycle: Amendments to IAS 12 “Income tax”, IAS 23 “Borrowing costs” and IAS 28 “Investments in associates and joint ventures”.
- Amendment of IAS 19 “Employee benefits”.
- Amendment of IAS 28 “Investments in associated companies and joint businesses”
- IFRIC 23, “Uncertainty about the treatment of income tax”.
- Amendment IFRS 9: “Advance payment component with negative compensation”:

The application of these amendments and interpretations did not have a significant effect on these interim financial statements.

3.2. Standards, amendments and interpretations adopted by the EU and that enter into force on January 1, 2020

At the date of preparation of these interim financial statements, no new standards, amendments or interpretations have been adopted that are effective as of January 1, 2020.

3.3. Standards, amendments and interpretations of existing standards that cannot be adopted early or that have not been adopted by the EU as of the date of this note:

At the date of signing of these interim condensed consolidated financial statements, the IASB and the IFRS Interpretations Committee had published the following standards, amendments and interpretations, which are indicated below, and that have not yet been adopted by the EU.

IFRS 10 (Amendment) and IAS 28 (Amendment) “Sale or contribution of assets between an investor and its associate or joint venture”

IFRS 17 “Insurance contracts”

IFRS 3 (Amendment) “Definition of a business”

IAS 1(Amendment) and IAS 8 (Amendment) “Definition of material”

The Group is currently analysing the impact of the new regulations on the condensed consolidated financial statements.

3.4 Changes in the scope of consolidation

The changes recognised under this caption in the six-month period ended June 30, 2019 were as follows:

- The companies Técnicas Reunidas LLC, 100% owned by Técnicas Reunidas, S.A., and TR Alberta, 50% owned by Técnicas Reunidas, S.A. and Initec Plantas Industriales, S.A.U. have been incorporated.

In the six-month period ending June 30, 2018, TRD DUQM PROJECT LLC, 65% owned by Técnicas Reunidas, S.A., was incorporated.

4. Estimates

In order to draw up these interim financial statements, the Management has to make relevant accounting estimates, judgements, estimates and assumptions, which may affect the application of the accounting policies and the amount of the assets, liabilities, income and expenses. The current results may differ from these estimates.

When preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty in estimates were the same as those applied in the consolidated financial statements for the year ended December 31, 2018 and those relating to the application of the new international accounting standard IFRS 16 (see Note 3.1), except for the changes in the estimates to determine the provision for income tax (see Note 3).

5. Financial risk management

5.1 Financial risk factors

The Group's activities are exposed to a variety of financial risks: market risk (including foreign currency risk, interest rate cash flow risk and price risk), credit risk and liquidity risk.

The interim financial statements do not include all the information and disclosures on financial risk management required for the consolidated financial statements and should therefore be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2018 (Notes 2 and 3).

There has been no change in the risk management policy since the closing date of the previous year.

5.2 Liquidity risk

Cash flow forecasts are made at Group entities and in the Group's aggregate financial activities. Group management monitors forecasts of the Group's liquidity needs to ensure that it has sufficient cash to meet operating needs while ensuring that there are sufficient unused credit facilities.

5.3 Estimate of fair value

For financial instruments that are measured at fair value in the interim condensed consolidated balance sheet, the valuations are itemised by level, following the hierarchy below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than prices quoted included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The tables below present the Group's assets and liabilities measured at fair value:

At 30 June 2019	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through other comprehensive income	-	264	-	264
Financial assets at fair value through profit or loss	65,466	-	-	65,466
Hedging derivatives	-	9,507	-	9,507
Total assets	**65,466**	**9,771**	**-**	**75,237**
Liabilities				
Hedging derivatives	-	52,510	-	52,510
Total liabilities	**-**	**52,510**	**-**	**52,510**

At 31 December 2018	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through other comprehensive income	-	264	-	264
Financial assets at fair value through profit or loss	64,817	-	-	64,817
Hedging derivatives	-	9,231	-	9,231
Total assets	**64,817**	**9,495**	**-**	**74,312**
Liabilities				
Hedging derivatives	-	56,286	-	56,286
Total liabilities	**-**	**56,286**	**-**	**56,286**

"Financial assets at fair value through profit or loss" includes the Group's investments in fixed-income and equity securities.

a) Level 1 financial instruments

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

b) Level 2 financial instruments

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows based on estimated interest rate curves.
- The present value of foreign currency futures is determined using the future exchange rates on the balance sheet date, discounted to their present value.

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

With regard to financial instruments, credit risk must be included in measurements at fair value, whereby credit risk is understood to be the credit risk of the counterparty and the Group's own credit risk, where applicable.

Due to the nature of the Group's portfolio, the application of credit risk mainly affects the portfolio of financial derivatives designated as cash flow hedges, given that they are measured at fair value.

These instruments are unique in that the expected cash flows are not pre-determined; rather, they vary based on the underlying financial variable, so the determination of the credit risk to be applied, i.e., the Company's own credit risk or that of the counterparty, is not intuitive, but rather depends on market conditions at any given time and must therefore be quantified using measurement models.

The derivatives arranged by the Group relate mainly to currency futures and commodities futures.

Currency forwards consist of the purchase of one currency against the sale of a different currency in which the exchange rate is fixed on the date of the contract to be delivered or settled in the future, starting on the third business day after the contract date.

Commodity forwards consist of the future purchase or sale of a raw material in which the exchange rate is fixed on the date of the contract and that are to be delivered or settled in the future, starting on the third business day after the contract date.

The effect of credit risk on the value of currency and commodity forwards will depend on future settlements. If the settlement is favourable for the Group, a credit spread is incorporated for the counterparty to quantify the probability of default upon maturity; otherwise, if the settlement is expected to be negative for the Group, the credit risk is applied to the Group's final settlement. To determine whether or not the settlement of the forwards will be favourable for the Group, a stochastic model is used to simulate the derivative's behaviour in different scenarios using complex mathematical models that consider the volatility of the underlying asset and applying the resulting credit spread to each simulation.

There were no significant changes in economic or business circumstances affecting the fair value of the Group's financial assets and financial liabilities either in the first half of 2019 or in the first half of 2018.

There were no any reclassifications of financial assets or transfer of levels either in the first half of 2019 or in the first half of 2018.

6. Seasonal nature of operations

The Group's activity is not seasonal in nature.

7. Information by operational segments

The Group classifies its operating segments as follows:

- Oil and Gas
- Power
- Infrastructure and Industry

Although the Group's core business is the provision of engineering and construction services, the above-mentioned segment reporting format is presented on the understanding that any risks and rewards that may arise from its business activities and the specialisation required to complete the projects in these segments, among other differentiating factors, make this segment distinction necessary to provide optimal insight into the business structure. This segmentation is based on information reviewed by the Board of Directors.

The oil and gas segment focus on providing engineering, procurement and construction services relating to oil and chemicals processing and production operations, and activities relating to the entire natural gas production and extraction value chain, i.e. production, processing, storage and transport. Activities in the refining sector range from the construction of refineries to the revamping and expansion of existing refining plants. Units designed and built include basic refining plants, plant conversions and octane improvement projects. The Group also designs and builds auxiliary services and other refining units. Petrochemical activities include the design and construction of plants that produce and process monomers, polymers and plastics, chemical plants and fertiliser units.

Regarding natural gas, the Group mainly designs and builds units used in the extraction and preliminary processing of natural gas, prior to its use in subsequent processes or preparation for export. The Group is particularly specialised in regasification and gas transport facilities.

In the power industry, the Group performs consulting, engineering, procurement and construction services for a range of electricity generating plants, such as conventional thermal plants, combined cycle power plants, gasification integrated with combined cycle, nuclear plants, co-generators, solar plants, fuel cells, solid waste and biomass technology. The Group also supplies turnkey plants and occasionally performs plant operation and maintenance (O&M) services.

In the infrastructure and industry segment, the Group carries out projects in multiple arenas, such as airports, industrial facilities, desalination and water treatment plants as well as initiatives for public authorities and other bodies, such as management of car parks, public spaces and municipal sports centres.

The operating segment analysis is based on an assessment of the segments' operating profit, adjusted for unallocated Group overheads. In addition, the Group manages financing activities and the effect of income tax. Consequently, finance income and costs and income tax have not been allocated by segment.

No sales were made between the various operating segments in the periods presented.

Details of the revenue and results by business segments for the six-month periods ended on June 30, 2019 and 2018 are as follows:

	Six-month period ended on 30 June 2019				
	Oil and Gas	**Power**	**Infrastructure and Industry**	**Unallocated**	**Group**
Revenue	2,027,136	144,378	45,141	-	**2,216,655**
Operating profit	94,689	(14,857)	(1,762)	(50,693)	**27,377**
Net financial result	-	-	-	(6,264)	**(6,264)**
Share in profit/(loss) of associates	-	-	-	(1,815)	**(1,815)**
Profit before tax	**94,689**	**(14,857)**	**(1,762)**	**(58,772)**	**19,298**
Income tax	-	-	-	(5,715)	**(5,715)**
Profit for the period	**94,689**	**(14,857)**	**(1,762)**	**(64,487)**	**13,583**

	Six-month period ended on 30 June 2018				
	Oil and Gas	**Power**	**Infrastructure and Industry**	**Unallocated**	**Group**
Revenue	1,816,114	377,966	65,394	-	**2,259,474**
Operating profit	39,923	18,208	2,911	(43,762)	**17,280**
Net financial result	-	-	-	(6,527)	**(6,527)**
Share in profit/(loss) of associates	-	-	-	(808)	**(808)**
Profit before tax	**39,923**	**18,208**	**2,911**	**(51,097)**	**9,945**
Income tax	-	-	-	(3,183)	**(3,183)**
Profit for the period	**39,923**	**18,208**	**2,911**	**(54,280)**	**6,762**

Revenue by geographical area for the six-month periods ended on June 30, 2019 and 2018 are as follows:

	Six-month period ended on 30 June	
	2019	**2018**
Spain	49,891	52,403
Middle East	1,859,560	1,527,407
America	123,388	360,803
Asia	70,148	56,074
Europe	54,585	168,308
Mediterranean	59,083	94,479
Total	**2,216,655**	**2,259,474**

Income from the Middle East relates mainly to operations in Saudi Arabia, Abu Dhabi, Kuwait, Bahrain and Oman; in the America area, income comes primarily from operations in Canada, Peru and Mexico; in Asia this income is from operations in Malaysia, India and Singapore; in Europe the operations were focused primarily in Russia, Poland, Finland and the UK; and in the Mediterranean operations were focused basically on Turkey and Algeria, as well as other countries.

There were no changes in the allocations of assets and liabilities by segment during the first half of 2019 and 2018 compared with December 2018 and 2017, most of which corresponded to the Oil and Gas segment (Note 5 to the Consolidated Financial Statements of December 31, 2018).

8. Income tax

Income tax expense is recognised based on management's estimate of the expected weighted average tax rate for the full financial year. The estimated average annual tax rate for the year ended December 31, 2019 is 29.6% (the effective tax rate for the year ended December 31, 2018 was 35.18%).

9. Property, plant and equipment, goodwill and other intangible assets

The changes in the first six-month period of 2019 and 2018 are as follows:

	Thousands of euros		
	Intangible assets		
	Goodwill	**Other intangible assets**	**Property, plant and equipment**
Cost			
Balances at 1 January 2019	**1,242**	**93,622**	**131,117**
Additions	-	242	3,625
Retirements through disposals or other means	-	-	(133)
Translation differences	-	10	176
Balances at 30 June 2019	**1,242**	**93,874**	**134,785**
Accumulated depreciation			
Balances at 1 January 2019	-	**38,556**	**96,559**
Retirements through disposals or other means	-	-	(58)
Allocations charged to the income statement	-	1,183	5,185
Translation differences	-	9	184
Balances at 30 June 2019	**-**	**39,748**	**101,870**
Net assets			
Balances at 1 January 2019	**1,242**	**55,066**	**34,558**
Balances at 30 June 2019	**1,242**	**54,126**	**32,915**

	Thousands of euros		
	Intangible assets		
	Goodwill	**Other intangible assets**	**Property, plant and equipment**
Cost			
Balances at 1 January 2018	**1,242**	**23,480**	**151,067**
Additions	-	821	2,773
Retirements through disposals or other means	-	(952)	(4,944)
Translation differences	-	(6)	(217)
Balances at 30 June 2018	**1,242**	**23,343**	**148,679**
Accumulated depreciation			
Balances at 1 January 2018	-	**18,871**	**106,855**
Retirements through disposals or other means	-	(156)	(4,039)
Allocations charged to the income statement	-	896	7,414
Translation differences	-	8	(99)
Balances at 30 June 2018	**-**	**19,619**	**110,131**
Net assets			
Balances at 1 January 2018	**1,242**	**4,609**	**44,212**
Balances at 30 June 2018	**1,242**	**3,724**	**38,548**

At June 30, 2019 and December 31, 2018, the Group did not have any significant commitments to purchase fixed assets.

During the first six months of 2019 and 2018 there were no circumstances indicating the possible impairment of goodwill.

10. Rights of use over leased assets

At June 30, 2019 the amount of the rights of use over leased assets is as follows:

	Thousands of euros			
	Capitalised amount	**Accumulated depreciation**	**Translation differences**	**Carrying amount**
Offices	48,299	(9,165)	15	39,149
Houses	6,734	(1,372)	16	5,378
Vehicles	6,009	(2,099)	28	3,938
	61,042	**(12,636)**	**59**	**48,465**

The amounts paid in respect of rights of use on leased assets at June 30, 2019 amount to EUR 12,377 thousand.

At June 30, 2019 the financial debt associated with the rights of use of leased assets amounted to EUR 48,665 thousand and the amount of interest charged to the income statement amounted to EUR 550 thousand.

11. Financial instruments

a) Financial assets

Financial assets (excluding inventory, trade and other receivables and cash and cash equivalents) at June 30, 2019 and December 31, 2018 by nature and measurement category, are as follows:

	At 30 June 2019			
Financial assets:	**Financial liabilities at fair value through profit or loss**	**Financial assets through other comprehensive income**	**Amortised cost**	**Hedging derivatives**
Nature / Category				
Derivatives	-	-	-	1,315
Accounts receivable and other financial assets	-	264	70,620	-
Long-term/non-current	**-**	**264**	**70,620**	**1,315**
Derivatives	-	-	-	8,192
Accounts receivable and other financial assets	65,466	-	12,531	-
Short-term/current	**65,466**	**-**	**12,531**	**8,192**
Total financial assets	**65,466**	**264**	**83,151**	**9,507**

	At 31 December 2018			
Financial assets:	**Financial liabilities at fair value through profit or loss**	**Financial assets through other comprehensive income**	**Amortised cost**	**Hedging derivatives**
Nature / Category				
Derivatives	-	-	-	129
Accounts receivable and other financial assets	-	264	91,613	-
Long-term/non-current	**-**	**264**	**91,613**	**129**
Derivatives	-	-	-	9,102
Accounts receivable and other financial assets	64,817	-	10,564	-
Short-term/current	**64,817**	**-**	**10,564**	**9,102**
Total financial assets	**64,817**	**264**	**102,177**	**9,231**

The carrying amount of the financial assets measured at amortised cost is similar to their fair value.

a.1) - Revaluation adjustments for impairment of financial assets

The changes in the first half of 2019 and 2018 in the balance of provisions for impairment of the assets included under “Trade and other receivables” is shown below:

	At 30 June of	
	2019	**2018**
Opening balance	31,299	14,331
Adoption of IFRS 9 with a charge to reserves	-	20,369
Impairment losses charged to income	192	-
Amounts used	-	(2,828)
Closing balance	**31,491**	**31,872**

The remaining financial assets were not impaired in the first half of 2019 and 2018.

a.2) – Trade and other receivables

Trade receivables include EUR 2,116,038 thousand (December 31, 2018): EUR 1,658,952 thousand) in respect of Work executed pending certification, which is calculated using the criteria established in Note 2.19 to the consolidated financial statements for the year ended December 31, 2018.

b) Financial liabilities

Financial liabilities (excluding financial debt related to rights of use of leased assets, trade payables and employee benefit obligations) at June 30, 2019 and December 31, 2018 by nature and valuation category are as follows:

	At 30 June 2019		At 31 December 2018	
Financial liabilities	**Accounts payable (amortised cost)**	**Hedging derivatives**	**Accounts payable (amortised cost)**	**Hedging derivatives**
Nature / Category				
Borrowings	311,558	-	388,491	-
Derivatives	-	3,154	-	1,242
Other accounts payable	656	-	398	-
Non-current payables/Non-current financial liabilities	**312,214**	**3,154**	**388,889**	**1,242**
Borrowings	191,534	-	99,402	-
Derivatives	-	49,356	-	55,044
Other accounts payable	543	-	7,733	-
Current payables/Current financial liabilities	**192,077**	**49,356**	**107,135**	**55,044**
Total financial liabilities	**504,291**	**52,510**	**496,024**	**56,286**

The carrying amount of the financial assets measured at amortised cost is similar to their fair value.

c) Hedging financial derivatives

Note 2.20 of the notes to the Group's consolidated financial statements for the year ended December 31, 2018 details the criteria used by the Group for hedging activities. There have been no changes in such criteria during the first half of 2019.

The changes in the first half of 2019 in the “Derivative financial instruments” captions (current and non-current) relate to the changes due to the valuation of derivative financial instruments carried out by the Group, as well as to the contracts and settlements thereof during that period. There have been no changes in measurement techniques in the estimation of the fair value of derivative financial instruments. These measurement techniques are the usual market techniques; the procedure consists of calculating fair value by discounting the future cash flows associated with them based on the interest rates, exchange rates, volatilities and forward price curves in force on the closing dates according to financial experts' reports.

During the first half of 2019 and 2018 there were no significant inefficiencies due to foreign currency hedges.

d) Borrowed funds

The details of the Company's deferred taxes at June 30, 2019 and at December 31, 2018 are as follows:

	Thousands of euros	
	At 30 June 2019	**At 31 December 2018**
Non-Current liabilities: Borrowings	311,558	388,491
	311,558	**388,491**
Current liabilities: Borrowings	191,534	99,402
	191,534	**99,402**
Total borrowings	**503,092**	**487,893**

There are credit facilities that require that the consolidated net financial debt/EBITDA ratio to be less than or equal to 3 (as well as other requirements).

	Thousands of euros
Net bank borrowings *	(250,135)
Consolidated EBITDA**	46,381
Net Bank Borrowings/Consolidated EBITDA	**(5.40)**

*Financial debt does not include borrowings associated with rights of use of leased assets.
**EBITDA does not include the amount of operating leases affected by IFRS 16.

The amount of credit facilities not drawn down by the Group at June 30, 2019 amounted to EUR 638,897 thousand (December 31, 2018: EUR 841,937 thousand).

The Group's undrawn credit facilities are as follows:

	Thousands of euros	
Floating rate:	**30 June 2019**	**31 December 2018**
- maturing within one year	497,397	669,851
- maturing in more than one year	141,500	172,086
	638,897	**841,937**

12. Equity

Share capital

A June 30, 2019 and December 31, 2018 the total authorised number of ordinary shares was 55,896,000 shares, with a par value of EUR 0.10 each. All the shares issued are fully paid-up with the same voting and economic rights.

The treasury stock at June 30, 2019 represents 3.91% of the share capital of the Parent Company (3.93% at December 31, 2018) and totals 2,188,443 shares (2,201,389 shares at December 31, 2018).

On June 26, 2019 the Parent Company's Annual General Meeting resolved to authorise the acquisition of treasury stock up to the legally established limit, at a minimum and maximum price that may not be higher or lower than 5% of the weighted average price on the day on which the purchase is made (or the minimum and maximum prices permitted by law at any given time). The authorisation was granted for a period of five years from the date on which the resolution was passed.

The Parent Company entered into a liquidity agreement with Santander Investment Bolsa, Sociedad de Valores, S.A.U. The framework of this agreement is the Spanish Stock Exchanges and its purpose is to create added liquidity for transactions. The contract, which is valid for an initial period of one year, has been renewed for annual periods. It was last renewed on 11 July 2019. The shares allocated to the securities account associated with the agreement amounted to EUR 74,500 and a total of EUR 2,574 thousand were allocated to the cash account associated with the agreement.

Since June 21, 2006, all shares of Técnicas Reunidas, S.A. have been admitted to trading on the four Spanish stock exchange and are listed on the continuous market.

Dividends declared paid by the Parent company

No dividends have been declared or paid in the first half of 2019. Details of the dividends declared and/or paid by the Parent company during the first half of 2018 are as follows:

- First semester 2018:

  - On December 21, 2017 the Parent Company's Board of Directors approved the payment of EUR 35,852 thousand (EUR 0.641 per share) as an interim dividend against 2017 profit. This dividend was paid on January 18, 2018.

  - On June 27, 2018 the shareholders at the Annual General Meeting resolved to pay a dividend of EUR 35,852 thousand and to distribute an extraordinary dividend of EUR 14,149 thousand charged to unrestricted reserves, which was paid on July 13, 2018.

The dividends paid by the Parent during the six months ended June 30, 2019 and June 30, 2018 are shown below:

	First semester 2019			**First semester 2018**		
	% of Nominal Amount	**Euros per share**	**Amount (thousands of euros)**	**% of Nominal Amount**	**Euros per share**	**Amount (thousands of euros)**
Total dividends paid						
Dividends	-	-	-	641	0.641	35,852

Earnings per share

The basic earnings per share are calculated by dividing the profits attributable to the owners of ordinary instruments of the Parent Company by the average weighted number of ordinary shares in circulation during the financial year. Details of earnings for the periods ended on June 30, 2019 and 2018 are as follows:

	2019 (6 months)	**2018 (6 months)**
Profit for the year attributable to ordinary equity instrument holders of the entity (thousands of euros)	13,356	5,492
Weighted average no. of ordinary shares outstanding	53,759,867	53,725,451
Earnings per share of the profit attributable to ordinary equity instrument holders of the entity (EUR per share)	0.25	0.10

The Parent company has no issues of financial instruments that could dilute earnings per share.

13. Provisions for contingencies and charges

Note 21 of the notes to the Group's consolidated financial statements for the year ended December 31, 2018 details the criteria used by the Group for establishing these provisions. There have been no changes in such criteria during the first half of 2019. Changes in non-current provisions during the six months ended June 30, 2019 and June 30, 2018 are shown below:

ITEM	Six-month period ended on 30 June 2019			
	Provision for estimated project loss	Provision for infrastructure	Other provisions	Total provisions for contingencies and charges
Balance at 1/1/2019	**3,432**	**4,000**	**32,207**	**39,639**
Reversals/amounts used	-	-	-	-
Transfers	-	-	(20,000)	(20,000)
Charge	-	-	7,539	7,539
Balance at 30/06/2019	**3,432**	**4,000**	**19,746**	**27,178**

ITEM	Six-month period ended on 30 June 2018			
	Provision for estimated project loss	Provision for infrastructure	Other provisions	Total provisions for contingencies and charges
Balance at 1/1/2018	**1,310**	**2,000**	**39,892**	**43,202**
Reversals/amounts used	-	-	(2,048)	(2,048)
Charge	-	-	7,150	7,150
Balance at 30/06/2018	**1,310**	**2,000**	**44,994**	**48,304**

<u>Provision for estimated project loss:</u>

The Group recognises provisions to cover estimated future losses on projects currently in progress.

<u>Provision for infrastructure:</u>

For those projects that are completed, the Group also estimates the probable costs that will subsequently be incurred.

<u>Other provisions:</u>

This line item relates to provisions arranged to cover other contingencies and charges, including payment obligations to project partners, provisions for probable risks, provisions for other non-current payments to be made.

Changes in provisions are shown by the net amount of the change in “Other Operating Expenses” in the interim condensed consolidated income statement.

b) Provisions for contingencies and charges - Current

	Thousands of euros	
	30 June 2019	**30 June 2018**
Opening balance	**29,863**	**7,249**
Reversals/amounts used	-	(4,383)
Transfers	-	-
Charge	343	-
Closing balance	**30,206**	**2,866**

14. Related-party transactions

Related-party transactions, which are part of the Group's ordinary business, during the first six months of 2019 and 2018, are as follows:

- Transactions with shareholders of the Parent Company

During the first six months of 2019 and 2018, the Group did not carry out any transactions with any of its main shareholders.

- Transactions with directors and executives of the Company and related entities

No transactions were performed with the Company's directors during the six-month period ended on June 30, 2019, except as detailed below:

- Transactions with Banco Sabadell:

	Thousands of euros	
Thousands of euros	**30 June 2019**	**30 June 2018**
Finance costs	6	-
Finance income	17	-
Thousands of euros		
Credit facilities	80,000	80,000
Drawn balances	-	-
Guarantee line	57,000	30,000
Used guarantees	54,541	23,345
Foreign exchange hedge	2,109	17,575

The group also had current accounts in euros and in foreign currencies, which were necessary for carrying out its ordinary business transactions. At June 30, 2019, the equivalent amount in current accounts and deposits amounted to EUR 15,284 thousand (2018: EUR 26,595 thousand).

During the six months ended June 30, 2019 and June 30, 2018, transactions amounting to EUR 151 thousand and EUR 153 thousand, respectively, were carried out with Company directors.

Note 15 includes information related to the remuneration paid to the Directors of Técnicas Reunidas, S.A.

- Transactions executed with associates

These refer to transactions carried out with Group companies for the portion not eliminated in the consolidation process. These transactions are as follows:

	Thousands of euros	
	1st semester 2019	1st semester 2018
Services received	2,634	3,282
Services rendered	9,302	9,358

15. Remuneration and other benefits to the Parent Company's Board of Directors and Senior Management

a) Remuneration to the Board of Directors

The details of the remuneration and benefits received by the members of the Board of Directors of the Parent Company for the six-month periods ended June 30, 2019 and 2018 are as follows:

	Thousands of euros	
	30 June 2019	30 June 2018
Remuneration item		
Fixed remuneration	707	707
Variable remuneration	660	1,100
Attendance fees	943	962
Other services	151	153
Total:	**2,461**	**2,922**
Other benefits		
Life insurance premiums	20	18
Total other benefits:	**20**	**18**

The Group also has an annual payment commitment of EUR 135 thousand in 2019 and EUR 137 thousand in 2018 for Directors' civil liability insurance.

During the first six months of 2019 and 2018, no advances have been granted to members of the Board of Directors.

b) Remuneration to senior management

Total remuneration paid to senior management for the six-month period ended June 30, 2019 amounts to EUR 3,475 thousand (June 30, 2018: EUR 2,575 thousand).

During the first six months of 2019, advances and loans amounting to EUR 142 thousand have been granted to senior management personnel (June 30, 2018: 0)

No other remuneration items were accrued during the first six months of 2019 and 2018.

16. Average headcount

The detail of the Group's average headcount for the first six months of 2019 and 2018, by category and gender:

	Average Headcount for the six-month period					
	2019			2018		
	Men	Women	Total	Men	Women	Total
Executive directors and senior executives	11	2	13	13	2	15
Graduates, diploma holders and administrative staff	5,874	3,202	9,076	5,662	3,088	8,750
Skilled workers	52	1	53	50	1	51
Sales staff	44	16	60	42	15	57
	5,981	**3,221**	**9,202**	**5,767**	**3,106**	**8,873**

Subcontracted personnel included in the average headcount at June 30, 2019 was 735 employees (at June 30, 2018: 542 workers).

The average number of people with disabilities equal to or greater than 33% employed in the six months ended June 30, 2019 and June 30, 2018 by the companies included in the Group was 34 and 39, respectively.

17. Other disclosures

- Contingencies and securities established

Note 30 of the notes to the consolidated financial statements for the year ended December 31, 2018 provides information on contingencies and guarantees granted at that date.

At June 30, 2019 the Group had provided guarantees to third parties amounting to EUR 5,239,422 thousand (December 31, 2018: EUR 5,196,055 thousand). Group management considers that the provisions recorded in these condensed financial statements at June 30, 2019 reasonably cover the risks of litigation, arbitration and claims, and that additional liabilities are not expected to arise.

In relation to the inspection proceedings mentioned in Note 27 of the consolidated financial statements for the year ended on December 31, 2018, guarantees have been presented before the Tax Administration in an amount of EUR 117 million of tax payable and EUR 30 million of default interest.

The Group is party to certain judicial and arbitration disputes, within the projects' closure process, with clients and suppliers. Based on the opinion of the Group's legal advisers, using the information available, the Parent considers that the outcome thereof will not have a significant influence on the Group's equity.

18. Events after the reporting date

Between the closing date of the six-month interim period ended June 30, 2019 and the date of preparation of these interim condensed consolidated financial statements, no significant events have occurred.

INTERIM CONSOLIDATED MANAGEMENT REPORT
FIRST HALF OF 2019

1. Business performance

1.1 Business performance in the first half of 2019

Grupo Técnicas Reunidas, TR, achieved total sales of EUR 2,217 million in 1H2019, slightly lower than in 1H2018, although it obtained an operating profit in the first half of 2019 of 27 million euros, approximately 60% higher than in the first half of the previous year.

91% of total revenue came from the Oil and Gas activity, which still accounted for the largest portion of the group's turnover; 7% came from Power generation projects and 2% from the Infrastructures and Industries area.

In the first half of 2019, the company was awarded the Exxon EPC contract for a USD 1,500 million refinery in Singapore, which will be executed within 43 months. This award was preceded by the FEED (Front End Engineering and Design) contract for the design of this plant, which was developed in 2018.

TR in consortium with General Electric, has also been awarded the construction of a combined cycle plant in the United Arab Emirates. TR's part of the project has a value of USD 350 million and will be executed in 53 months.

1.2 Business performance by areas in the first half of 2019

Each of TR's lines of business performed as follows:

Oil and Gas

In the first six months of 2019, the most developed projects under execution were for the downstream area: the Al Zour refinery for KNPC in Kuwait, the Talara refinery for Petroperú in Peru, the STAR refinery for SOCAR in Turkey and the Duqm plant for DRPIC in Oman. For the upstream and gas area, they were: the Fadhili project for Saudi Aramco in Arabia, the IGCC project in Jizan for Saudi Aramco in Arabia, the GT5 project for KNPC in Kuwait, the Gasco project in UAE and the Hail project for ADNOC in UAE.

Energy, infrastructure and industry

Sales in the Energy, Infrastructure and Industries division totalled EUR 144 million in the first half of 2019. This is a lower amount than that posted in the same period last year given that some projects entered their final phase: Tierra Mojada in Mexico and Kilpilathi in Finland.

2. Main risks and uncertainties second half of 2019

Geopolitical factors affecting countries linked to the energy sector, such as the sanctions imposed by the United States on Iran, may affect the group's business performance. Global economic changes may also have an impact, with certain tensions such as the commercial stand-off between the United States and China, which can affect the general situation in the Oil and Gas market.

TR's business activities are also subject to various risks specific to the sector, such as the volatility of the foreign exchange market, the volatility of the commodity prices that impacts equipment and supplies prices, the capacity of its suppliers to meet orders, new competitors emerging on the market, the availability of engineering, construction and assembly resources.

Lastly, although the pace of contracts awarded in the last three quarters has stepped up considerably, prompting recovery in a market that was weak in previous years, the low oil prices scenario that had a bearing on our clients' liquidity in past years still influences decision making during the execution of contracts.

Against this backdrop, TR is in the final stages of construction or delivering numerous projects, a time at which numerous agreements are formally arranged with customers and suppliers

Accordingly, Técnicas Reunidas is committed to risk management throughout the progress of project execution, whether the projects are starting, will be delivered this year, or are still in the guarantee phase.

3. Alternative Performance Measures

Following the guidelines of the European Securities and Markets Authority (ESMA) on Alternative Performance Measures (APM), Group Management considers that certain MARs provide useful additional financial information that should be considered when assessing their performance.

Management uses these APM when making financial, operating and planning decisions and to assess the Group's performance. The Management presents the following MARs that it considers useful and appropriate for investors' decision-making and that are most reliable about the Group's performance.

EBITDA

EBITDA ("Earnings before interest, taxes, depreciation and amortizations"): The management uses EBITDA as an indicator of the Group's capacity to generate profits, considering only its productive activity, eliminating amortisation and depreciation, as well as the effect of financial results and income tax. It is calculated by deducting the amortisation expense and charges for impairment losses for the period from operating profit.

		Millions of Euros	
		Six-month period ended on 30 June	
		2019	**2018**
Income	Sales and other income	2,219.7	2,263.6
Operating expenses	Supply costs, personnel costs, other operating expenses and depreciation and amortisation and impairment	(2,192.3)	(2,246.3)
Operating profit	**Income- Operating expenses**	**27.4**	**17.3**
Amortisation and impairment charge	Depreciation, amortisation and impairment	19.0	8.3
EBITDA	**Operating profit excluding depreciation and amortisation**	**46.4**	**25.6**

Group management confirms that there has been no change in the definition, reconciliation or use of this indicator with respect to that used in the previous period, other than as a result of the application of IFRS 16.

EBIT ("Earnings before interest and taxes"): is an indicator of the Group's operating profit without taking financial or tax results into account. The Management uses this indicator as a complement to EBITDA in comparison with other companies in the sector. EBIT is equivalent to "operating profit". It has been calculated as follows:

		Millions of Euros	
		Six-month period ended on 30 June	
		2019	2018
EBITDA	Operating profit excluding depreciation and amortisation	46.4	25.6
Amortisation and impairment charge	Depreciation, amortisation and impairment	(19.0)	(8.3)
EBIT	**Operating profit**	**27.4**	**17.3**

Group management confirms that there has been no change in the definition, reconciliation or use of this indicator with respect to that used in the previous period, other than as a result of the application of IFRS 16.

Net Cash. Net cash is the alternative measure of performance used by management to measure the level of liquidity of the Group. It is calculated as the difference between "cash and cash equivalents" plus "financial assets at fair value through profit or loss" and "borrowings" (excluding "financial debt associated with rights of use of leased assets"). Cash and cash equivalents includes cash in the treasury, demand deposits at credit institutions and other highly liquid short-term investments with original maturities of 3 months or less. It has been calculated as follows:

		Millions of Euros	
		At 30 June 2019 (unaudited)	At 31 December 2018
Cash and cash equivalents	Cash in the treasury, demand deposits at credit institutions and other highly liquid short-term investments with maturities of 3 months or less.	687.8	680.8
Financial assets at fair value	Financial assets at fair value through profit or loss	65.5	64.8
Borrowings	Non-current and current bank borrowings	(503.2)	(487.9)
Net Cash	**Cash and cash equivalents, plus financial assets at fair value, less borrowings**	**250.1**	**257.7**

Group Management also confirms that there has been no change in criteria in the definition, reconciliation or use of this indicator compared to that used in the previous year.