TÉCNICAS REUNIDAS, S.A.
AND ITS SUBSIDIARIES

Report on Limited Review of
Condensed Consolidated Interim Financial Statements
as at June 30, 2018

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, 2018, 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, 2018 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, 2017. 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, 2018 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, 2018. 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 parent company's 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 July 26, 2018	F. Javier Peris Álvarez July 26, 2018

This version of the condensed interim consolidated financial statements is a free translation from the original, which is 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 the condensed interim consolidated financial statements takes precedence over this translation.

TÉCNICAS REUNIDAS, S.A.
AND ITS SUBSIDIARIES

Condensed Interim Consolidated Financial Statements
and interim consolidated Directors' Report for
the six month period ended June, 30 2018

Contents of the Condensed Interim Consolidated Financial Statements
for Técnicas Reunidas, S.A. and its Subsidiaries

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018

TECNICAS REUNIDAS, S.A. AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED BALANCE SHEET AT JUNE 30, 2018
(Figures in Euro Thousand)

	Note	At June 30, 2018 (non-audited)	At December 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	9	38,548	44,212
Goodwill	9	1,242	1,242
Other intangible assets	9	3,724	4,609
Investments in associates		12,612	13,386
Deferred tax assets		273,722	254,564
Available-for-sale financial assets	10.a	957	1,016
Derivative financial instruments	10.a	-	361
Receivables and other assets	10.a	12,230	18,422
		343,035	**337,812**
Current assets			
Assets classified as held for sale	11	52,342	52,342
Inventories		19,726	17,923
Trade and other receivables		2,768,041	2,786,123
Receivables and other assets	10.a	20,177	16,484
Derivative financial instruments	10.a	18,669	37,787
Financial assets at fair value through profit and loss	10.a	68,013	67,362
Cash and cash equivalents		674,621	569,939
		3,621,589	**3,547,960**
Total assets		**3,964,624**	**3,885,772**

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

TÉCNICAS REUNIDAS, S.A. AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED BALANCE SHEET AT JUNE 30, 2018
(Figures in Euro Thousand)

	Note	At June 30, 2018 (non-audited)	At December 31, 2017
EQUITY			
Capital and reserves attributable to owners of the parent company			
Share Capital	**12**	5,590	5,590
Share Premium		8,691	8,691
Treasury shares	**12**	(73,570)	(73,041)
Legal reserve		1,137	1,137
Capitalization reserve		3,056	3,056
Hedging reserve		5,965	15,836
Cumulative translation differences		(33,968)	(31,840)
Retained earnings		448,941	551,494
Interim dividend		-	(35,852)
Equity attributable to owners of the parent company		**365,842**	**445,071**
Non-controlling interest		**16,216**	**18,233**
Total equity		**382,058**	**463,304**
LIABILITIES			
Non-current liabilities			
Borrowings	**10.b,d**	314,210	92,215
Derivative financial instruments	**10.b**	663	2,489
Deferred tax liabilities		33,053	39,520
Other payables	**10.b**	409	288
Other liabilities	**10.b**	42	42
Employee benefit obligations		2,377	2,174
Provisions for liabilities and charges	**13**	48,304	43,202
		399,058	**179,930**
Current liabilities			
Trade payables		2,840,094	2,796,013
Current tax liabilities		45,217	64,370
Borrowings related to assets classified as held for sale	**11**	20,062	21,546
Borrowings	**10.b, d**	201,463	292,219
Derivative financial instruments	**10.b**	59,174	28,423
Other payables	**10.b and 12**	14,632	36,329
Provisions for liabilities and charges	**13**	2,866	3,638
		3,183,508	**3,242,538**
Total Liabilities		**3,582,565**	**3,422,468**
Total equity and liabilities		**3,964,624**	**3,885,772**

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

TECNICAS REUNIDAS, S.A. AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018
(Figures in Euro Thousand)

	Note	Six month period ended June 30,	
		2018 (non-audited)	**2017 (non-audited)**
Revenue		2,259,474	2,627,972
Change in inventories		1,786	89
Raw materials and consumables		(1,690,420)	(1,965,931)
Employee benefit expense		(300,644)	(299,436)
Depreciation/amortization and impairment charges	**9**	(8,310)	(12,522)
Lease and royalty expenses		(31,545)	(36,168)
Other expenses		(214,081)	(210,498)
Other income		888	1,104
Operating profit		**17,148**	**104,610**
Finance income		3,565	5,046
Finance cost		(5,941)	(6,187)
Net exchange differences		(3,806)	(7,991)
Share in profit/(loss) of associates		(808)	(1,389)
Profit before taxes		**10,158**	**94,089**
Income tax expense	**8**	(3,251)	(27,286)
Profit for the period from continuing operations		**6,907**	**66,803**
Loss from discontinued operations		**(145)**	**(167)**
Profit for the period		**6,762**	**66,636**
Attributable to:			
Owners of the parent		5,492	57,099
Non-controlling interests		1,270	9,537
		6,762	**66,636**
Basic and diluted earnings per share of the continuing operations attributable to the owners of the parent (expressed in euros per share)	**12**		
- Basic and diluted		0.10	1.06
Basic and diluted earnings per share attributable to the owners of the parent (expressed in euros per share)	**12**		
- Basic and diluted		0.10	1.06

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

TECNICAS REUNIDAS, S.A. AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018
(Figures in Euro Thousand)

	Six month period ended June 30,	
	2018 (non-audited)	**2017 (non-audited)**
Profit / (loss) for the period	**6,762**	**66,636**
Other comprehensive income:		
Items that will not be reclassified to profit / (loss)	-	-
Total items that will not be reclassified to profit or loss	**-**	**-**
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	(11,963)	84,284
Tax effect	2,092	(17,293)
Cash-flow hedges, net of taxes	(9,871)	66,991
Translation differences	(2,137)	(17,016)
Total ítems that may be reclassified subsequently to profit or loss	**(12,008)**	**49,975**
Other comprehensive income for the period, net of taxes	**(12,008)**	**49,975**
Total comprehensive income for the period	**(5,246)**	**116,611**
Attributable to:		
- Owners of the parent	(6,506)	107,074
- Non-controlling interest	1,260	9,537
Total comprehensive income for the period	**(5,246)**	**116,611**
Total comprehensive income attributable to the owners of the parent company arising from:		
– Continuing operations	(6,361)	107,241
– Discontinued operations	(145)	(167)
	(6,506)	**107,074**

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

TECNICAS REUNIDAS, S.A. AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018
(Figures in Euro Thousand)

	Attributable to owners of the Parent Company								
	Share Capital and Share Premium	Treasury Shares	Legal and Capitalization Reserve	Hedging reserves	Cumulative translation differences	Retained earnings	Interim dividend	Non-Controlling interest	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 application of IFRS 9 (net of taxes)	-	-	-	-	-	(19,829)	-	-	(19,829)
Adjustment for the application of IFRS 9 (net of taxes)	-	-	-	-	-	(34,425)	-	-	(34,425)
Balance at 01 January 2018 (non-audited)	**14,281**	**(73,041)**	**4,193**	**15,836**	**(31,840)**	**497,240**	**(35,852)**	**18,233**	**409,050**
Profit for the period									
Profit for the half year	-	-	-	-	-	5,492	-	1,270	6,762
Other comprehensive income	-	-	-	-	-	-	-	-	-
Cash flow hedges, net of taxes	-	-	-	(9,871)	-	-	-	-	(9,871)
Translation differences	-	-	-	-	(2,128)	-	-	(9)	(2,137)
Total other comprehensive income	-	-	-	(9,871)	(2,128)	-	-	(9)	(12,088)
Total comprehensive income	**-**	**-**	**-**	**(9,871)**	**(2,128)**	**5,492**	**-**	**1,261**	**(5,246)**
Transactions with owners in the capacity as owners:									
Transaction with shares or treasury shares (net of taxes)	-	(529)	-	-	-	(25)	-	-	(554)
Distribution of the 2017 profit	-	-	-	-	-	(50,000)	35,852	(3,278)	(17,426)
Other movements	-	-	-	-	-	(3,766)	-	-	(3,766)
Total transactions with owners:	**-**	**(529)**	**-**	**-**	**-**	**(53,791)**	**35,852**	**(3,278)**	**(21,746)**
Balance at 30 June 2017 (non-audited)	**14,281**	**(73,570)**	**4,193**	**5,965**	**(33,968)**	**448,941**	**-**	**16,216**	**382,058**

Notes 1 to 18 in the accompanying Notes to the Condensed Consolidated Interim Financial Statements form an integral part of these Condensed Interim

Consolidated Financial Statements

TECNICAS REUNIDAS, S.A. AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018
(Figures in Euro Thousand)

	Attributable to owners of the Parent Company								
	Share Capital and Share Premium	**Treasury Shares**	**Legal and Capitalization Reserve**	**Hedging reserves**	**Cumulative translation differences**	**Retained earnings**	**Interim dividend**	**Non-Controlling interest**	**Total Equity**
Balance at 1 January 2017	**14,281**	**(72,623)**	**4,193**	**(73,427)**	**(17,630)**	**618,782**	**(35,852)**	**4,102**	**441,826**
Profit for the period									
Profit for the half year	-	-	-	-	-	57,099	-	9,537	66,636
Other comprehensive income									
Cash flow hedges, net of taxes	-	-	-	66,991	-	-	-	-	66,991
Translation differences	-	-	-	-	(17,016)	-	-	-	(17,016)
Total other comprehensive income	-	-	-	66,991	(17,106)	-	-	-	49,975
Total comprehensive income	**-**	**-**	**-**	**66,991**	**(17,106)**	**57,099**	**-**	**9,537**	**116,611**
Transactions with owners in the capacity as owners:									
Transaction with shares or treasury shares (net of taxes)	-	(1,299)	-	-	-	-	-	-	(1,299)
Distribution against 2016 profit	-	-	-	-	-	(75,000)	35,852	-	(39,148)
Total transactions with owners:	**-**	**(1,299)**	**-**	**-**	**-**	**(75,000)**	**35,852**	**-**	**(40,447)**
Balance at 30 June 2018 (non-audited)	**14,281**	**(73,922)**	**4,193**	**(6,436)**	**(34,646)**	**600,881**	**-**	**13,639**	**517,990**

Notes 1 to 18 in the accompanying Notes to the Condensed Consolidated Interim Financial Statements form an integral part of these Condensed Interim Consolidated Financial Statements

TECNICAS REUNIDAS, S.A. AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018 (Figures in Euro Thousand)

	Six month period ended 30 June	
	2018 (non-audited)	**2017 (non-audited)**
Cash flows from operating activities		
Profit for the period (including discontinued operations)	6,762	66,636
Adjustment:		
- Taxes	3,251	27,286
- Depreciation/amortization of PPE and intangible assets	8,310	12,522
- Change in provisions, net	5,306	32,803
- Share in (profit) / loss of associates	808	1,389
- Changes in gains / losses on derivatives	(650)	(3,266)
- Interest income	(2,915)	(1,780)
- Interest expense	5,941	6,187
- Changes in fair value of financial instruments	10,998	(37,424)
- Translation differences	3,806	7,992
- Other income and expenses	839	-
Changes in working capital:		
- Inventories	(1,802)	105
- Trade and other receivables	(54,759)	(426,076)
- Other financial assets	123	(13,193)
- Trade payables	43,221	149,787
- Other accounts payables	(11,921)	3,239
- Other changes	24,868	(24,781)
Other operating cash flows:		
- Interest paid	(5,248)	(6,187)
- Interest collected	2,915	1,780
- Income tax paid	(21,775)	(19,036)
Net cash generated in (used in) operating activities	**18,078**	**(222,017)**
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,773)	(4,069)
Purchases of intangible assets	(821)	(990)
Investment in associates	(34)	(1,591)
Proceeds from sale of non-current assets	862	34
Net cash used in investing activities	**(2,766)**	**(6,616)**
Cash flows from financing activities		
Proceeds from borrowings	403,354	380,608
Repayment of borrowings	(274,291)	(237,942)
Dividends paid	(39,139)	(35,852)
Net adquisition of treasury shares	(554)	(1,299)
Net cash generated in financing activities	**89,370**	**105,515**
Net increase /decrease in cash and cash equivalents	**104,682**	**(123,118)**
Cash and cash equivalents at beginning of the period	**569,939**	**688,269**
Cash and cash equivalents at end of the period	**674,621**	**565,151**

Notes 1 to 18 in the accompanying Notes to the Condensed Consolidated Interim Financial Statements form an integral part of these Condensed Interim Consolidated Financial Statements

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018

Free translation of the condensed consolidated interim financial statements for the six month period ended June 30, 2018 originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

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 limited liability company (“Sociedad Anónima”). It is entered in the Madrid Companies Register in volume 1407, sheet 129, page 5692. The latest adaptation and amendment of its Articles of Association is registered in volume 22573, section 8, book 0, sheet 216, page M-72319, entry 192.

The registered offices of TÉCNICAS REUNIDAS, S.A. are located at Arapiles Street, 14, 28015 Madrid (Spain). It is headquartered in Madrid, at Arapiles Street, 13, 28015 Madrid (Spain).

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

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

Since June 21, 2006, all the shares of Técnicas Reunidas, S.A. have been admitted to trading on the four Spanish stock exchanges and the continuous market and are part of the Ibex 35 index.

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

The annual accounts for Técnicas Reunidas, S.A. (Parent Company) and the consolidated annual accounts for Técnicas Reunidas, S.A. and Subsidiaries for 2017 were formulated by the Board of Directors on February 26, 2018 and approved by shareholders at a General Meeting held on June 27, 2018.

These consolidated condensed interim financial statements (hereinafter the interim financial statements) have been prepared and approved by the Board of Directors at a meeting held on July 25, 2018. The consolidated condensed interim financial statements have been submitted to a limited review and have not been audited.

The figures set out in these consolidated condensed interim financial statements (hereinafter the interim financial statements) are presented in thousand euros, unless expressly indicated otherwise.

2. Basis of presentation

2.1. General Information

The consolidated condensed interim financial statements for the six month period ended June 30, 2018 have been prepared in accordance with IAS 34 "Interim financial information" and do not include all the information required by a complete financial statements in accordance with the International Finance Reporting Standards as adopted by the European Union, and should be read together with the consolidated annual accounts of the group for the year ended December 31, 2017, prepared in accordance with International Financial Reporting Standards as adopted as by the European Union (IFRS-EU).

2.2 Comparative information

For comparative purposes, the Condensed interim consolidated income statement, Condensed interim consolidated statement of comprehensive income, Condensed interim consolidated statement of changes in equity, Condensed interim consolidated cash flow statement at June 30, 2018 are presented with the information regarded the six month period ended June 30, 2017 and the Condensed interim consolidated balance sheet with the information regarded at year ended December 31, 2017.

3. Accounting policies

Except for the issues mentioned below, the accounting policies applied are uniform with respect to those applied in the 2017 consolidated annual accounts.

The taxes accrued on the profits obtained in interim periods are calculated based on the tax rate applicable to the total projected annual profit.

3.1. Mandatory standards, amendments and interpretation approved by the European Union at 2018 and enter into force at January 1, 2018:

- **IFRS 15 "Revenue from Contracts with Customers" and IFRS 15 (Modification) "Clarifications of IFRS 15 Revenue from Contracts with Customers".**

IFRS 15 has replaced, commencing January 1, 2018, the following standards:

- IAS 18 Revenue,
- IAS 11 Construction contracts,
- IFRIC 13 Customer loyalty programmes,
- IFRIC 15 Agreements for the construction of real estate,
- IFRIC 18 Transfers of assets from customers and
- SIC- 31 Revenue – Barter Transactions Involving Advertising Services

According to IFRS 15, revenue should be recognized in such a way that the transfer of goods or services to customers is disclosed at an amount that reflects the consideration to which the entity expects to be entitled in exchange for such goods or services. This approach is based on five steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the obligations under the contract.
- Step 3: Determine the price of the transaction.
- Step 4: Allocate the price of the transaction among the contract obligations.
- Step 5: Recognize revenues when (or as) the entity complies with each of the obligations.

Under IFRS 15, income should be recognized as the obligations included in the contract are met. The Group has applied the effects starting at January 1, 2018 once it has been updated of its internal policies with the aim of defining the criteria for the application of IFRS 15 in the business areas of Técnicas Reunidas and to the various types of contract.

The impacts identified mainly relate to the following items:

- Identification of performance obligations in contracts and pricing. In relation to dual or instalment contracts, it is currently considered that there is a single performance obligation, income from which is recognized on a uniform basis over the implementation of the contract. With the new standard is necessary to evaluate, for each contract, whether various performance obligations should be recognized (IFRS 15 p. 22), as well as price allocation on the basis of the contracts, provided that they are set at arm's length. However, given the general characteristics of turnkey contracts (EPC) undertaken by the Group, a significant impact is not generated.

- Approval requirements in revenue recognition due to contract amendments and items for which claims could be made. IFRS 15 requires approval by the customer (IFRS 15 p.18), which is more demanding than the probability requirement under the current standard. In the event of amendments or claims in which the customer has approved the scope of the work but its valuation is outstanding, or in the process of claims, revenue will be recognized at the amount that is highly likely not to undergo a significant reversal in the future.
This modification suppose a delay in the revenue recognition due to the harder restrictions of the regulation. The negative impact in equity assigned to the shareholders for this concept suppose 34,425 thousand euros at January 1, 2018.

- Identification and recognition of the costs of obtaining contracts (IFRS 15 p. 91) and the costs of fulfilling contracts (IFRS 15 p. 95). IFRS 15 specifies that only those costs identified as incremental may be capitalized, which requires a detailed analysis of the costs of obtaining a contract by identifying the incremental costs and the expectations concerning their recovery. The Group has reviewed and analyzed the negative impacts resulting from this change, without a significant impact being generated.

- Establishment of a consistent revenue recognition method for contracts with similar characteristics. The new standard requires using a consistent revenue recognition method for contracts and performance obligations with similar characteristics (IFRS 15 p.40). The application of this rule does not imply a change in the criterion currently used by the Group.

The interim politics have been updated in accordance with the criteria described above.

With regard to information systems, the current systems will be maintained and certain controls included in them will have to be adapted.

IFRS 9 Financial instruments:

IFRS 9 Financial instruments replaces IAS 39 starting this year. The principal changes affect the classification and measurement of financial assets and liabilities, the financial asset impairment model and hedge accounting.

IFRS 9 has been applied starting 1 January 2018 without restating the comparative information for 2017. The impacts of first application, which are recognized directly in equity, are as follows:

	31/12/2017	IFRS 9 adjustment	01/01/2018
Current assets			
Trade and other receivables	2,786,123	(20,369)	2,765,754
Non-current assets			
Receivables and other assets	18,422	(6,070)	12,352
Deferred tax assets	254,565	6,610	261,175

Classification of financial assets and liabilities

At January 1, 2018 financial assets have been classified as financial assets at amortized cost or financial assets at fair value through profit or loss or in other comprehensive income.

Classification depends on the business model used by the Group to manage financial assets and the contractual terms of cash flows.

Debt investments included in a business model consisting exclusively of collection on maturity of the principal and interest are generally measured at amortized cost. Those debt investments where the business model consists of both collection of the principal and interest on maturity and the sale of the investments are measured at fair value through other comprehensive income. Other debt and equity investments are measured at fair value through profit or loss unless the company elects to voluntarily and irrevocably measure certain equity investments at fair value through other comprehensive income. In this case, following de-recognition of the investment, the standard does not permit the accumulated impact in other comprehensive income to be reclassified to the income statement. The Group has elected to apply this option voluntarily and irrevocably.

Set out below is the reconciliation of the classification and measurement of financial assets under IAS 39 and IFRS 9 on the date of first application:

Type of instrument	Classification at 31/12/2017 (IAS 39)	Classification at 01/01/2018 (IFRS 9)
Trade and other receivables	Loans and receivables	Amortized cost
Financial assets available for sale	Available for sale	Fair value through other comprehensive income
Derivative financial instruments*	Financial assets held for trading	Fair value through profit or loss
Financial assets at fair value through profit or loss	Financial assets held for trading	Fair value through profit or loss

(*) Those derivatives not designated as hedges for accounting purposes.

The application of IFRS 9 has had no impact on financial liabilities.

Impairment of financial assets

The new impairment model requires recognizing an impairment provision on an expected loss basis moving on from the incurred loss model under IAS 39. IFRS 9 requires recognizing impairment on all financial instruments not measured at fair value.

With respect to trade receivables, other receivables and other assets, relating mainly to customers whose solvency is acknowledged and with whom it has extensive experience, the Group applies the simplified approach and recognizes the expected credit loss on a lifetime basis

The Group's impairment recognition model considers internal information such as the trade receivable balance, external information such as customer credit ratings and risk agency ratings and specific customer circumstances.

The application of the credit-impaired model based on expected loss has had a net impact at January 1, 2018 of €19,829 thousand, net of taxes. This impact has been recognized in Retained earnings in equity.

Hedge accounting

The Group has elected to apply the new hedging model under IFRS 9. This new model attempts to align accounting criteria with risk management. Additionally, it increases flexibility in hedge accounting and in terms of hedging effectiveness, eliminates the requirement for retrospective assessment.

The Group has conducted an analysis, identifying differences in processes and has implemented the necessary changes in processes and controls to ensure the correct documentation of hedging derivatives in accordance with IFRS 9.

Other amendments and / or interpretations that have been approved by the European Union and took effect on 1 January 2018

Annual improvements to IFRS Standards 2014 - 2016 cycle:

Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions.

Amendments to IAS 40: Transfers of Investment Property.

Amendments to IFRS 4: Insurance Contracts.

IFRIC 22: Transactions and Advances in Foreign Currency

These amendments and interpretations have not had a significant effect on the interim financial statements.

3.2. Standards, amendments and interpretations approved by the European Union and effective in the years starting on or after 1 January 2019.

IFRS 16 Leases

IFRS 16 is effective for all years starting on or after January 1, 2019. Earlier adoption is permitted and it may be applied retroactively in full or through a modified retroactive transition approach.

This new standard will replace the current lease standards: IAS 17 Leases, IFRIC 4: Determining whether an arrangement contains a Lease, Interpretation SIC -15 Operating leases- Incentives and Interpretation SIC -27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 16 establishes a single accounting model to be applied on the lessee's balance sheet. The lessee recognizes the right of use of an asset, representing its right to use the asset, and a liability representing its obligation to make lease payments. The Standard includes two exemptions to the recognition of the right of use in the lessee's accounting, namely, for the lease of low value assets and short-term leases (leases for less than 12 months).

The Group continues to assess the potential impact on its consolidated financial statements. The most significant impact identified so far is that the Group will recognize new assets and liabilities for some of its property rentals that are currently recognized as operating leases. In addition, expenses related to these lease contracts that are currently recognized under Lease and royalty expenses will be recognized, as required under IFRS 16, as a depreciation expense of the "right of use" of the assets while the liabilities associated with the lease will be recognized as financial expenses.

The Group is similarly assessing the transition method to be applied, in light of available information and the characteristics of existing contracts: the modified retroactive transition approach, the simplified modified transition approach or a combined model.

The Group has elected not to apply IFRS 16 early.

IFRS 9 (amendment): Prepayment Features with Negative Compensation.

The Group is analyzing the impacts that the new regulations could have on its consolidated financial statements.

3.3. Standards, amendments and interpretations applied to existing standards that cannot be adopted early or have not been adopted by the European Union at the date of this note:

At the date these condensed consolidated interim financial statements were prepared, the IASB and IFRS Interpretations Committee had published the following standards, amendments and interpretations that have not yet been adopted by the European Union.

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"

IFRIC 23 "Uncertainty over income tax treatments"

IAS 28 (amendment), 'Long-term Interests in Associates and Joint Ventures'.

IAS 19 (amendment) "Plan amendment, curtailment or settlement"

Annual Improvements to IFRS Cycle 2015- 2017

IFRS 3, "Business Combinations"

IFRS 11, "Joint Arrangements"

IAS 12 "Income Taxes".

IAS 23 "Interest expense"

The Group is analyzing the impacts that new regulations may have on its consolidated financial statements.

3.4 Changes in the scope of consolidation

Changes during the six month period ended June 30, 2018 are as follows:

- TRD DUQM PROJECT LLC, which is 50% owned by Técnicas Reunidas, S.A., was incorporated.

During the six month period ended 30 June 2017 there were no changes in the consolidation scope.

4. Estimates

The preparation of these condensed interim consolidated financial statements requires management to apply judgment, estimates and assumptions that affect the application of the accounting policies and the amounts presented under assets and liabilities and revenues and expenses. Actual results may differ from these estimates.

When preparing these condensed interim consolidated annual accounts, the important judgments used by management to apply the Group's accounting policies and the key sources of uncertainty within these estimates are the same as those applied in the consolidated annual accounts for the year ended December 31, 2017 and those relating to the application of the international financial reporting standards IFRS 9 and 15 (see Note 3.1), with the exception of the changes in the estimates to calculate the provision for corporate income tax (see Note 3).

5. Financial risk management

5.1 Financial risk factors

The Group's activities are exposed to several financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk.

The condensed interim consolidated financial statements do not include all of the information and breakdowns regarding financial risk management that are mandatory for the consolidated annual accounts and therefore they should be read together with the Group's annual accounts for the year ended December 31, 2017 (Note 2 and 3).

There have been no changes in the risk management policy since the end of last year.

5.2 Liquidity risk

Predicting cash flow takes place individually for each company and aggregate for the Group. The Group Management monitors forecasts of liquidity needs of the Group in order to ensure that it has sufficient cash to meet operational needs while maintains sufficient availability of credit facilities unused.

5.3 Estimation of fair value

For those financial instruments measured at fair value in the balance sheet the measurements are broken down by level, in accordance with the following hierarchy:

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

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

At June 30, 2018	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial assets at fair value through profit and loss	68,013	-	-	68,013
Hedging derivatives	-	18,669	-	18,669
Total assets	**68,013**	**18,669**	**-**	**86,682**
Liabilities				
Hedging derivatives	-	59,837	-	59,837
Total liabilities	**-**	**59,837**	**-**	**59,837**

At December 31, 2017	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial assets at fair value through profit and loss	67,362	-	-	67,362
Hedging derivatives	-	38,148	-	38,148
Total assets	**67,362**	**38,148**	**-**	**105,510**
Liabilities				
Hedging derivatives	-	30,912	-	30,912
Total liabilities	**-**	**30,912**	**-**	**30,912**

The heading “Financial assets at fair value through profit and loss” include fixed and variable investments.

There were no transfers between levels 1 and 2 during the period.

a) Level-1 financial instruments

The fair value of the financial instruments that are traded on active markets is based on listed market prices at the balance sheet date. A market is considered to be active when the quoted prices are readily and regularly available through a stock market, financial brokers, industry institution, a pricing service or a regulatory entity and those prices reflect current 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 by using valuation techniques. The measurement techniques maximize the use of observable market information that is available and are based as little as possible on specific estimates made by the companies. If the significant inputs that are required to calculate the fair value of an instrument are observable, the instrument is included in level 2.

Specific financial instrument valuation techniques include:

- Listed market prices or prices established by financial intermediaries for similar instruments.

- The fair value of interest rate swaps is calculated as the present value of estimated future cash flows, based on estimated yield curves.

- The present value of foreign currency futures is calculated using forward exchange rates at the balance sheet date and discounting the amount obtained.

- Other techniques, such discounted cash flow analysis, are used to analyze the fair value of all other financial instruments.

As regards financial instruments, credit risk must be included in fair value measurements, including both counterparty credit risk and the Group's own credit risk where necessary.

Due to the characteristics of the Group's portfolio, credit risk mainly affects the portfolio of financial derivatives designated as cash flow hedges, since they are carried at fair value.

These instruments are special in that their expected fund flows are not pre-determined and change based on the underlying financial variable, so that the calculation of the applicable credit risk, i.e. own or counterparty credit risk, is not intuitive but depends on market conditions at each moment and thus requires quantification using valuation models.

The derivatives contracted by the Group consist of currency futures and commodity futures.

Currency forward transactions consist of buying one currency against the sale of a different currency; the exchange rate is established at the contract date and delivery or settlement takes place in the future, as from the third business day following the contract date.

Listed commodity forward transactions consist of buying or selling a commodity at a future date; the exchange rate is established at the contract date and delivery or settlement takes place in the future, as from the third business day following the contract date.

The effect of credit risk on the measurement of currency and commodity futures will depend on the settlement of the future. If settlement favors the Group, a counterparty credit spread is applied to quantify the probability of default at maturity; if settlement is expected to be negative for the Group, its own credit risk is applied to the Group's final settlement. In order to determine whether the settlement of a future is favorable or adverse for the Group, a stochastic model must be employed to simulate the derivative's behavior in different scenarios by means of complex mathematical models, based on the volatility of the underlying variable, so as to apply the credit spread resulting from each simulation.

There have been no significant changes in the first half of 2018 and 2017 in economic circumstances or the business that affect the fair value of the Group's financial assets and liabilities.

There have been no reclassifications of financial assets or transfers between levels in the first half of 2018 or 2017.

6. Seasonality of operations

The Group's activities are not seasonal.

7. Segment information

The Group classifies its operating segments as follows:

- Oil and Gas
- Power
- Infrastructure and Industry

Although the Group’s core business is the rendering of engineering and construction services, the abovementioned segment reporting format is presented on the understanding that the attendant business risks and rewards and the specialisation required to complete the projects in these segments, among other differentiating factors, make this segment distinction necessary to provide optimal insight into the business structure. This segmentation additionally reflects the information reviewed by the Board of Directors.

The oil and gas segment focuses on EPC services relating to oil and chemicals processing and production operations, and activities relating to the entire natural gas production and extraction value chain, i.e. production, processing, storage and transport. Activities in the refining sector range from the construction of refineries to the revamping and expansion of existing refining plants. Units designed and built include basic refining plants, plant conversions and octane improvement projects. The Group designs and builds auxiliary services and other refining units. Petrochemical activities include the design and construction of plants that produce and process monomers, polymers and plastics, chemical plants and fertiliser units. As regards natural gas, the Group mainly designs and builds units used in the extraction and preliminary processing of natural gas, prior to its use in subsequent processes or preparation for export. The Group is highly specialised in regasification and gas transport facilities.

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

The infrastructure and industries segment executes project work in multiple arenas such as airports, industrial facilities, desalination and water treatment plants as well as initiatives for public authorities and other bodies such as management of car parks, public spaces and municipal sports centres.

The operating segment analysis is performed based on a valuation of the operating benefit adjusted by the unallocated structure costs. The Group manage jointly both the financing activities and the Income Tax effect, therefore finance expenses and income as well as Income Tax have not been allocated to the segments. Additionally, due to their not significant amounts, assets, amortization and impairments are not allocated.

Highlight, there have not been transactions among the different operating segments.

The breakdown of ordinary revenue and profits by business segment for the six month periods ended June 30, 2018 and 2017 is as follows:

	Six month period ended June 30, 2018				
	Oil and gas	**Energy**	**Infrastructure and Industries**	**Unallocated**	**Group**
Revenue	1,816,114	377,966	65,394	-	**2,259,474**
Operating profit	39,923	18,208	2,911	(43,894)	**17,148**
Net finance income	-	-	-	(6,182)	(6,182)
Share in profit (loss) of associates	-	-	-	(808)	(808)
Profit before taxes	**39,923**	**18,208**	**2,911**	**(50,884)**	**10,158**
Income tax	-	-	-	(3,251)	(3,251)
Profit for the period from continuing operations	**39,923**	**18,208**	**2,911**	**(54,135)**	**6,907**
Loss for the period from discontinued operations	**-**	**-**	**-**	**(145)**	**(145)**
Profit for the period	**39,923**	**18,208**	**2,911**	**(54,280)**	**6,762**

	Six month period ended June 30, 2017				
	Oil and gas	**Energy**	**Infrastructure and Industries**	**Unallocated**	**Group**
Revenue	2,239,861	327,113	60,998	-	**2,627,972**
Operating profit	135,938	13,103	1,634	(46,065)	**104,610**
Net finance income	-	-	-	(9,132)	(9,132)
Share in profit (loss) of associates	-	-	-	(1,389)	(1,389)
Profit before taxes	**135,938**	**13,103**	**1,634**	**(56,586)**	**94,089**
Income tax	-	-	-	(27,286)	(27,286)
Profit for the period from continuing operations	**135,938**	**13,103**	**1,634**	**(83,872)**	**66,803**
Loss for the period from discontinued operations	**-**	**-**	**-**	**(167)**	**(167)**
Profit for the period	**135,938**	**13,103**	**1,634**	**(84,039)**	**66,636**

Revenues by geographic area for the six months period ended June 30, 2018 and 2017:

	Six month period ended June 30	
	2018	**2017**
Spain	52,403	18,360
Middle East	1,527,407	1,668,655
America	360,803	324,998
Asia	56,074	129,123
Europe	168,308	310,316
Mediterranean	94,479	176,520
Total	**2,259,474**	**2,627,972**

Revenue generated in the Middle East geographic area relates mainly to projects performed in Saudi Arabia, Abu Dhabi, Kuwait and Oman; in the Americas area, it mainly includes projects in Canada, Peru, Dominican Republic and Mexico; in the Asia area, revenue includes operations in Malaysia and Bangladesh; European revenue derives mainly from Russia, Belgium, Norway, Poland, Finland and UK; and revenue in the Mediterranean area relates basically to Turkey and Algeria, among other nations.

During the first half of 2018 and 2017 there have been no changes in the allocations to assets and liabilities by segment compared with December 2017 and 2016, and relate mainly to the Oil and gas segment (Note 5 of the Consolidated Annual Accounts of Técnicas Reunidas, S.A. and its subsidiaries at December 31, 2017).

8. Income tax expense

Income tax expense is recognised based on management's estimates of the average weighted tax rate for the complete financial year. The annual estimated average tax rate for the year at December 31, 2018 is 32% (the effective tax rate for the year ended December 31, 2017 was 29.8%).

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

Movements in this heading during the first six months of 2018 and 2017 are as follows:

	Euro thousand		
	Intangible assets		
	Goodwill	**Other intangible assets**	**Property, plant and equipment**
Cost			
Balances at January 1, 2018	**1,242**	**23,480**	**151,067**
Additions	-	821	2,773
Disposals and other removals	-	(952)	(4,944)
Translation differences	-	(6)	(217)
Balances at June 30, 2018	**1,242**	**23,343**	**148,679**
Accumulated amortisation/depreciation			
Balances at January 1, 2018	-	**18,871**	**106,855**
Disposals and other removals	-	(156)	(4,039)
Charges to income statement	-	896	7,414
Translation differences	-	8	(99)
Balances at June 30, 2018	**-**	**19,619**	**110,131**
Net assets			
Balances at January 1, 2018	**1,242**	**4,609**	**44,212**
Balances at June 30, 2018	**1,242**	**3,724**	**38,548**

	Intangible assets		Euro thousand
	Goodwill	Other intangible assets	Property, plant and equipment
Cost			
Balances at January 1, 2017	**1,242**	**22,485**	**156,586**
Additions	-	990	4,069
Disposals and other removals	-	(111)	(8,548)
Balances at June 30, 2017	**1,242**	**23,343**	**152,107**
Accumulated amortisation/depreciation			
Balances at January 1, 2017	**-**	**16,940**	**93,716**
Disposals and other removals	-	(76)	(2,818)
Charges to income statement	-	1,022	11,500
Balances at June 30, 2017	**-**	**17,886**	**102,1398**
Net assets			
Balances at January 1, 2017	**1,242**	**5,545**	**62,870**
Balances at June 30, 2017	**1,242**	**5,478**	**49,709**

At June 30, 2018 and December 31, 2017 the Group did not have any significant commitments to acquire PP&E.

During the first six months of 2018 and 2017 there have been no circumstances that indicate the possible existence of the impairment of goodwill.

10. Financial instruments

a) Financial assets

Financial assets (excluding Assets held for Sale, Inventories, Trade and other receivables and Cash and cash equivalents) at June 30, 2018 and December 31, 2017 are set out below by nature and measurement category:

				At June 30, 2018
Financial assets:	**Hedging Derivatives**	**Fair value with changes in other comprehensive income**	**Amortised cost**	**Fair value with changes in profit and losses**
Nature/Category				
Equity instruments	-	957	-	-
Derivatives	-	-	-	-
Other financial assets	-	-	12,230	-
Non-current	**-**	**957**	**12,230**	**-**
Derivatives	18,669	-	-	-
Other financial assets	-	-	20,177	68,013
Current	**18,669**	**-**	**20,177**	**68,013**
Total financial assets at June 30, 2018	**18,669**	**1,016**	**42,428**	**68,013**

	At December 31, 2017			
Financial assets:	**Hedging Derivatives**	**Fair value with changes in other comprehensive income**	**Amortised cost**	**Fair value with changes in profit and losses**
Nature/Category				
Equity instruments	-	1,016	-	-
Derivatives	-	-	-	361
Other financial assets	-	-	18,422	-
Non-current	**-**	**1,016**	**18,422**	**361**
Derivatives	37,787	-	-	-
Other financial assets	-	-	16,484	67,362
Current	**37,787**	**-**	**16,484**	**67,362**
Total financial assets at December 31, 2017	**37,787**	**1,016**	**34,906**	**67,723**

The carrying amounts of financial instruments are deemed to approximate their fair value.

a.1) - Measurement adjustments for financial asset impairment

Movements during the first half of 2018 and 2017 in the allowance for doubtful accounts (reserve for bad debt) related to the heading "Trade and other receivables ":

	Euro thousand	
	June 30, 2018	**June 30, 2017**
Beginning balance	14,331	13,983
IFRS 9 adoption (equity impact)	20,369	-
Charges to income statement	-	285
Applications	(2,828)	-
Ending balance	**31,872**	**14,268**

Remaining financial assets have not become impaired during the first half of 2018 and 2017, except the heading trade and other receivables and other long term assets which it has an impairment of 6,070 thousand euros as a result of the application of IFRS 9.

a.2) – Trade and other receivable accounts

Trade receivables includes €1,970,875 thousand (31 December 2017: € 1,922,166 thousand) relating to completed work pending billing, measured on the basis of the accounting criteria set forth in Note 2.21 of the Consolidated Annual Accounts for the year ended December 31, 2017.

b) Financial liabilities

Financial liabilities (excluding Trade and other payables, long-term employee benefit obligations and borrowings related to assets classified as held for sale) at June 30, 2018 and December 31, 2017 are set out below by nature and measurement category.

	At June 30, 2018		At December 31, 2017	
Financial Liabilities	**Borrowing and payables**	**Hedging derivatives**	**Borrowing and payables**	**Hedging derivatives**
Nature / Category				
Debts to credit institutions	314,210	-	92,215	-
Derivatives	-	663	-	2,489
Other financial liabilities	451	-	330	-
Long-term borrowings / Non-current financial liabilities	**314,661**	**663**	**92,545**	**2,489**
Debts to credit institutions	201,463	-	292,219	-
Derivatives	-	59,174	-	28,423
Other financial institutions	14,632	-	36,329	-
Current	**216,095**	**59,174**	**328,548**	**28,423**
Short-term borrowings /Current financial liabilities	**530,756**	**59,837**	**421,093**	**30,912**

The carrying amounts of financial instruments at amortised cost are deemed to approximate their fair value.

c) Financial hedging derivatives

Note 2.22 of the Notes to the Group's consolidated annual accounts for the year ended December 31, 2017 indicates the criteria used by the Group for hedging activities. There have been no changes in the criteria during the first half of 2018 in addition to those considered in the application of IFRS 9 (see Note 3.1).

The changes arising during the first half of 2018 under the heading Hedging derivatives (current and non-current) relate to changes in the valuation of the derivative financial instruments by the Group, acquisitions and settlements. There have been no changes in the measurement techniques in the estimate of the fair value of derivative financial instruments. These measurement techniques are those normally used in the market, and the procedure consists in calculating fair value, discounting the associated future cash flows based on the interest rates, exchange rates, volatility and forward price curves in force at the closing date in accordance with the reports prepared by financial experts.

During the first half of 2018 and 2017 there have been no inefficiencies due to foreign currency hedges.

d) Borrowings

The breakdown of borrowings at June 30, 2018 and December 31, 2017 is as follows:

	At June 30, 2018	At December 31, 2017
Non-current		
Debts to credit institutions	314,210	92,215
	314,210	**92,215**
Current		
Debts to credit institutions	201,463	292,219
	201,463	**292,219**

Total borrowings	**515,673**	**384,434**

During the first six months of 2018, a new syndicated line of credit has been formalized for an amount of € 350 million in addition to the existing one for the same amount which was signed on December 23, 2016.

This new line of credit which expires on March 2021 has a used balance of € 250 million as of June 30, 2018.

Both syndicated line of credits requires, among other requirements, that the ratio Net financial debt/consolidated EBITDA is less than or equal to 3. These requirements have been met during the first semester of the financial year 2018.

Unused Credit lines amounts to € 772,547 thousand as of June 30, 2018 (€ 888,000 thousand as of 31 December 2017).

The breakdown is as follow:

	At June 30, 2018	**At December 31, 2017**
Fix rate – Due date > 1 year	-	-
Variable rate		
Due date < 1 year	278,409	374,671
Due date > 1 year	494,138	513,329
	772,547	**888,000**

11. Assets and liabilities classified as held for sale and discontinued operations

The breakdown of assets and liabilities classified as held for sale and discontinued operations as of June 30, 2018 and December 31, 2017 is as follows:

	At June 30, 2018	**At December 31, 2017**
Intangible assets	67,060	67,060
Property, plant and equipment	672	672
Finance assets	194	194
	67,926	**67,926**
Impairment of the assets classified as held for sale	(15,584)	(15,584)
Total	**52,342**	**52,342**

The liabilities related to the assets classified as held for sale amount to €20,062 thousand and relate to bank borrowings (at December 31, 2017: €21,546 thousand).

The result of the discontinued operations of the period amounts to a loss of 145 thousand euros (2017: loss of 167 thousand euros).

It is estimated that the sale of these operations of these assets will take place in the second semester of 2018.

12. Equity

Share capital

At June 30, 2018 and at December 31, 2017 the number of authorised ordinary shares is 55,896,000, each with a par value of €0.10 per share. All issued shares are fully paid in and carry equal voting and dividend rights.

At June 30, 2018, the treasury shares represent 3.89% of the share capital of the Parent Company (3.89% at December 31, 2017) and amount to 2,173,824 shares (2,167,274 shares at December 31, 2017).

On June 25, 2014, the General Meeting of Shareholders of the parent company agreed to authorize the purchase of an amount of treasury stock not to exceed the legal limit for a minimum price of 75% of the listed value and a maximum of 120% of the listed value on the transaction date. The authorization is valid for 5 years from the date on which the motion was passed.

The parent company has signed a liquidity agreement with Santander Investment Bolsa, Sociedad de Valores, S.A.U., for the Spanish stock market, the purpose of which is to favor transaction liquidity. The contract of one year validity was renewed on July 10, 2017 in accordance with Circular 1/2017 CNMV dated April 16. This contract has been renewed tacitly for one more year. The number of shares in the account associated with the contract is 74,500 and a total of €2,574 thousand was deposited in the cash account associated with the contract.

All of the shares of Técnicas Reunidas, S.A. are listed on the four Spanish stock exchanges and on the continuous market since June 21, 2006 and form part of the Ibex35 benchmark index.

Dividends reported and paid by the parent company

The breakdown of the dividends reported and paid by the parent company during the first six months of 2018 and 2017 is as follows:

<u>- First half of 2018:</u>

- On December 21, 2017 the Board of Directors approved the payment of €35,852 thousand (€ 0.641 per share) as an interim dividend approved and charged against 2017 profit. This dividend was paid out on January 18, 2018.
- On June 27, 2018, the General Shareholders' Meeting approved the pay-out of a dividend of € 35,852 thousand, and an extraordinary dividend against reserves for an amount of € 14,149 thousand which was paid out on July 13, 2018.

<u>- First half of 2017:</u>

- On December 28, 2016 the Board of Directors approved the payment of €35,852 thousand (€0.641 per share) as an interim dividend approved and charged against 2016 profit. This dividend was paid out on January 19, 2017.
- On June 29, 2017, the General Shareholders' Meeting approved the pay-out of a dividend of € 75,000 thousand. On July 10, 2017, a supplementary dividend of € 39,148 thousand (€ 0.70 per

share) was paid out, in addition to the interim dividend approved by the Board of Directors on December 28, 2016.

The dividends paid by the parent company during the six month period ended June 30, 2018 and June 30, 2017:

	First half of 2018			First half of 2017		
	% par value	**Euro per share**	**Amount (Thousand euros)**	**% par value**	**Euro per share**	**Amount (Thousand euros)**
Total dividends paid						
Dividends	641	0.641	35,852	641	0.641	35,852

Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the equity holders of the parent company by the weighted average number of ordinary shares for the period. The breakdown of these items in the six month periods ended June 30, 2018 and 2017 is as follows:

	2018 (6 months)	**2017 (6 months)**
Profit of the continued operations for the period attributable to owners of ordinary instruments of equity	5,637	57,266
Profit for the period attributable to the owners of ordinary instruments of equity	5,492	57,099
Weighted average number of ordinary shares in issue (thousand)	53,725,451	53,742,317
Earnings per share of the profit of continued operations attributable to owners of ordinary instruments of equity (euro per share)	0.10	1.06
Earnings per share attributable to the owners of ordinary instruments of equity (euro per share)	0.10	1.06
Profit for the discontinued operations attributable to the owners of ordinary instruments of equity (euro per share)	(145)	(167)
Earnings per share of the profit of discontinued operations attributable to the owners of ordinary instruments of equity net of the Company's activity (euro per share)	(0.003)	(0.003)

The Company does not have any issues of financial instruments that may dilute earnings per share.

13. Provisions

Note 23 of the Notes to the Group's consolidated annual accounts for the year ended December 31, 2017 indicates the criteria used by the Group to account for these provisions. There have been no changes in the criteria during the first half of 2018. Movements during the six months periods ended June 30, 2018 and 2017 under the heading Non-current provisions are shown below:

	Six month period ended at June 30, 2018			
ITEM	**Provision for estimated project losses**	**Infrastructure accruals**	**Other provisions**	**Total provisions for liabilities and charges**
Balance at January 1, 2018	**1,310**	**2,000**	**39,892**	**43,202**
Reversals / Applications	-	-	(2,048)	(2,048)
Amounts provisioned	-	-	7,150	7,150
Balance at June 30, 2018	**1,310**	**2,000**	**44,994**	**48,304**

	Six month period ended at June 30, 2017			
ITEM	**Provision for estimated project losses**	**Infrastructure accruals**	**Other provisions**	**Total provisions for liabilities and charges**
Balance at January 1, 2017	**2,484**	**16,642**	**15,850**	**34,976**
Reversals / Applications	-	(210)	-	(210)
Amounts provisioned	2,016	-	31,150	33,166
Balance at June 30, 2017	**4,500**	**16,432**	**47,000**	**67,932**

Provision for estimated project losses

The Group, compliant with IFRS 15, books accruals to cover estimated future losses regarding ongoing projects.

Infrastructure accruals

For those projects which are finalized, the Group has assessed an estimation of those costs-related to them which are probable to incur in the future.

Other accruals

Relate to accruals registered to cover other risks and expenses, including payment commitments to project partners, probable risks, and accruals for other payments to issue in the long term.

At June 30, 2017 “Other Provisions”, includes an accrual related to the dispute in the project “Sines” in Portugal described in the Note 33 of the Consolidated Annual Accounts of Técnicas Reunidas, S.A. and Subsidiaries for the Year Ended December 31, 2017.

The remaining amount of this caption corresponds to the accrual frame in the projects closing process with clients and suppliers.

The accrual movement for the period reflects the net amount of the variation in the caption other expenses in the consolidated profit and loss statement.

14. Related-party transactions

Related-party transactions arising during the Group's normal course of business during the first six months of 2018 and 2017 are as follows:

- Transactions with the Company's shareholders

During the first six months of 2018 and 2017 no transactions were carried out with Company shareholders.

- Transactions carried out with Group Directors and Senior management

During the first six months of 2018 and 2017, transactions were carried out with Group Directors amounting to €153 and €152 thousand, respectively.

Information relating to the compensation and other benefits for the Parent Company's Board of Directors is included in Note 15.

- Transactions carried out with related companies

Part not eliminated in the consolidation process of the transactions with Group companies.
The breakdown of these transactions is as follows:

	1st semester 2018	1st semester 2017
Received Services	3,282	3,527
Rendered Services	9,358	5,932

15. Board of Directors and Senior Management remuneration

a) Board of Directors' compensation

The breakdown of the compensation received by the members of the Parent Company's Board of Directors in the six month periods ended June 30, 2018 and 2017 is as follows:

	Euro Thousand	
	June 30, 2018	June 30, 2017
Compensation		
Fixed compensation	707	707
Variable compensation	1,100	1,100
Per diems	962	790
Other Services	153	152
Total:	**2,922**	**2,749**
Other benefits		
Life insurance premiums	18	17
Total other benefits:	**18**	**17**

Additionally, the Group has paid €137 thousand annually in 2018 (2017: €110 thousand) regarding civil liability insurance for the members of the board.

Advances: No advances were granted to members of the board during the first six months of 2018 and 2017.

b) Senior management compensation

Remuneration paid to senior management personnel during the six-month period ended June 30, 2018 totaled €2,575 thousand (€ 3,116 thousand at 30 June 2017 - comparative).

Advances: No advances were granted to senior management during the first six months of 2018 and 2017.

No other compensation was accrued for the six month period ended June 30, 2018 and 2017.

16. Average number of employees

The Group's average payroll for the first six months of 2018 and 2017, broken down by category and gender, is as follows:

Average payroll for the six month period ended June 30

	2018			2017		
	Men	Women	Total	Men	Women	Total
Directors and senior management	13	2	15	12	2	14
Engineers and university graduates	5,662	3,088	8,750	5,691	2,949	8,640
Unskilled / assistants	50	1	51	31	1	32
Other categories	42	15	57	29	16	45
	5,767	**3,106**	**8,873**	**5,763**	**2,968**	**8,731**

The subcontracted personnel as of June 30, 2018 was 542 employees (2017: 738 employees).

The average personnel during the period ended at June 30, 2018 and 2017 of the entities of the Group with a disability equal or above 33% comes to 39 and 18 respectively.

17. Other information

Contingencies and guarantees provided

Note 32 of the notes to the consolidated annual accounts for the year ended December 31, 2017 provides information regarding contingencies and guarantees provided at that date.

At June 30, 2018, the Group has provided guarantees to third parties totalling €5,018,185 thousand (December 31, 2017: €4,209,246 thousand). Group management considers that the provisions recorded in these interim financial statements at June 30, 2018 reasonably cover the risks relating to litigation, arbitration and claims, without any additional liabilities expected to arise.

Regarding the tax audits detailed in the Note 29 of the Consolidated Annual Accounts of Técnicas Reunidas, S.A. and Subsidiaries at December 31, 2017, the Group has provided guarantees amounting to €136.2 million as income tax and €28.6 million as delay interests.

Additionally, at July 3, 2017 the Group has received communication from Tax Authorities for the commencement of the inspection related to the Income Tax (2012-2014), VAT (2014-2015) and other taxes (2014-2015), of the Tax Consolidated Group of the Parent Company.

The Group is involved in certain arbitration and legal disputes with clients and suppliers regarding project closing process. According to the Group’s legal advisors opinion, based on the available information, the Group estimates that the resolution of these will not impact significantly the Group’s financial position.

18. Events after the end of the reporting period

Between the closing date of the six month period ended June 30, 2018 and the date these Condensed Interim Consolidated Financial Statements were approved, no significant event took place.

INTERIM CONSOLIDATED DIRECTORS´ REPORT
FIRST HALF FY 2018

1. Development of the business

1.1 Development of the business in the first six months of 2018

In the first six months of 2018 Técnicas Reunidas (TR) reported an operating profit of €17.1 million, down 83.6% on the first six months of 2017. Revenue amounted to €2,259 million in the first half of 2018, 14.0% down on the same period last year because the main projects executed were in the engineering and construction phase, compared with a greater contribution by projects in the purchase and construction phase in the previous year.

Of total revenues, Oil & Gas accounted for 80.38% and remained the biggest contributor to the Group's revenues, mainly thanks to refinery projects while Energy generation projects accounted for 16.73%.

In the first half of the year, new contracts were secured in a new country in the Middle East, Bahrain. The company also signed three services agreements that added strategic value in regions with potential such as Russia, Jordan and South-east Asia.

1.2 Development of business areas in the first six months of 2018

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

Oil and gas

During the first half of 2018 revenues in the oil and natural gas division amounted to €1,816 million. This area comprises TR's refinery, petrochemical and oil and gas field production start-up activities.

This division continued to hold the lead and accounted for 80.38% of the company's total revenues in the first half of 2018.

The main projects awarded to this division during this period were as follows:

Sitra refinery upgrade program in Bahrain

In February, Técnicas Reunidas, jointly with Technip and Samsung in a joint venture (JV) created for the purpose, signed a $4,200 million contract with the Bahrain Petroleum Company (Bapco) for the Bapco Modernization Program (BMP). The project is located on the east coast of Bahrain and entails expanding the Sitra oil refinery's capacity from 267,000 to 360,000 barrels a day, improving energy efficiency, the monetization of bottom of the barrel and improving products to ensure compliance with environmental legislation.

The project will be executed through an engineering, procurement, construction and commissioning contract (EPCC) on a turn-key basis and is scheduled for completion in 2022. It includes the following main units: residue hydrocracker unit, conventional hydrocracker unit, a desulphurization unit, a crude oil distillation unit, a vacuum distillation unit, a saturated gas plant, a sulphur recovery unit, an amine recovery unit, a gas removal unit, a sulphur solidification unit and sulphur handling facilities. The auxiliary units and systems are also part of the scope.

The awarding of this BMP project is based on the vast experience of the JV partners in Bahrain and the region.

The scope of the project for Técnicas Reunidas, whose participation in the total value of the contract, amounts to $1.35 billion, will include the detailed engineering of some of the most complex units, such as the crude oil unit, the vacuum unit, the hydrocracker, saturated gas plants 1 and 2, and other auxiliary facilities. TR will also participate directly in the joint management of equipment and material procurement activities and the construction of the project as a whole.

Investment in upgrading refineries is an on-going trend in the refinery industry since improving performance is a key objective in order to ensure existing facilities remain competitive.

TR's execution capacity in strategic investments like BMP is crucial to the development of the oil and gas industry and TR brings to this project its long track record of design and construction of refinery units.

The Middle East is a key area for Técnicas Reunidas where the company has executed more than 25 projects, for an aggregate value of around €20 billion in the last 10 years. The company is present in this region in countries such as Saudi Arabia, Kuwait, Oman, the United Arab Emirates and now Bahrain as well.

In addition, the company was awarded three high value added Front End Engineering and Design (FEED) contracts in early 2018.

- Técnicas Reunidas will carry out the "FEED" design of the "Advanced oil refining complex" at the GazpromNeft refinery in Moscow, Russia. The scope of the work includes the design of the complex conversion, hydrocracker and coking units and TR will bring its significant experience to the project. Técnicas Reunidas takes great pride in having participated in this project from the outset in order to develop the design in the most efficient manner for its customer, Gazprom Neft. Técnicas Reunidas aims to participate in the following phases of this project.
- Jordan Petroleum Refinery Company (JPRC) awarded Técnicas Reunidas a FEED project for the expansion of the Al – Zarqa refinery in Jordan. From a technical viewpoint, advanced technological units will be designed such as the slurry hydrocracker. From a strategic viewpoint, Técnicas Reunidas will be involved from the initial phase of this contract, working closely with the customer, starting with the feasibility study and including basic engineering and advice on the financial structure and defining the future project execution strategy. The objective of Técnicas Reunidas is to turn this project into an Engineering, Procurement, and Construction (EPC) contract.
- Técnicas Reunidas started up the execution of "FEED" services for a refinery in South-east Asia. This project is another step forward in the company's growth in this key region, where it has several investments. Técnicas Reunidas will also participate in the offer relating to the EPC contract of this project.

Project execution

In the first six months of 2018 the products posting the best performance in downstream were: the KNPC Al Zour refinery in Kuwait, the Petroperu Talara refinery in Peru and the Petronas RAPID refinery in Malaysia. In upstream and gas, the projects contributing the most to the division's profits were: the Fadhili project for Saudi Aramco in Saudi Arabia, the GT5 project for KNPC in Kuwait, the IGCC project for Saudi Aramco in Saudi Arabia and the Gasco project in UAE.

Moreover, during the first six months of the year the company delivered, following completion, the Heroya industrial park project for Yara in Norway and the Hail early crude oil production facilities for ADOC in the UAE.

Energy, infrastructures and industries

Energy and water sales amounted to €378 million during the first six months of 2018. This amount represents growth of 15.5% compared with the previous year as a result of the contribution of several projects awarded in the past two years.

During the first half of 2018 the projects on which the most progress was made were: the combined cycle plant for Fisterra Energy in Mexico, the Teeside biomass project for MGT Teeside in the UK and the Turow carbon plant for Polska Grupa Eneretyczna in Poland.

No projects were delivered by the division in the first half of 2018.

2. Principal risks and uncertainties in the second half 2018

TR's activity is exposed to several risks associated with the sector such as the volatility of the currency market, the volatility of raw material prices that affects equipment and supplier prices, supplier capacity to meet orders, the entry of new competitors, and the availability of engineering, construction and assembly resources.

Geopolitical factors affecting countries connected with the energy sector can impact the evolution of the group's operations. As in previous years, during 2018 geopolitical events have taken place that have impacted oil prices. Certain events such as military action by the West in Syria at the start of the year, the political and economic crisis in Venezuela, the resumption of US sanctions in Iran and the rioting in Libya and the tension resulting from exports between the EU and US are events that have impacted or risk impacting oil output and global supply. In turn, estimates of oil demand have been revised upward by all major industry bodies, pushing oil prices to record highs not seen since 2014. Against this backdrop, all eyes were on the decision that was taken by OPEC in their last meeting last month together with Russia concerning production levels. The most recent agreement reached entails raising production from 1mbd to 32.5 mbd, in order to avoid market supply risks and help stabilize the raw material price. In view of the possible consequences of these circumstances for the oil and gas industry, they are a source of uncertainty and closely monitored by the market.

Despite the sustained increase in the oil price in the first six months of the year, customers have not yet relaxed treasury management discipline or changed their decision taking process. Extending the time between the awarding and entry into effect of contracts increases the risk of cost overruns for contractors.

As a result of the crisis in the industry that started late 2014, the evolution of business models has translated into projects increasingly being billed on a milestone and not on a percentage of completion basis. This means collection is postponed, pressuring contractors to focus more on their financial positions in order to cover their recurring obligations.

Moreover, there is a growing tendency among some customers and suppliers to avoid direct negotiation, triggering an increase in litigation in the industry.

In view of all the above, Técnicas Reunidas is committed to risk management throughout the project execution process. This applies to both for those projects starting and those delivery of which is slated for this year or those which are still under warranty.

3. Alternative performance measures

Pursuant to the guidelines of the European Securities and Markets Authority (ESMA) on Alternative Performance Measures (APMs), Group management considers that certain APMs provide additional financial information useful in assessing performance.

Additionally, Management uses these APMs in taking financial, operational and planning decisions and assessing the Group's performance. In this respect, Management presents the following APMs that they consider useful and appropriate in terms of investor decision taking and that enhance reliability concerning the Group's performance.

EBITDA

EBITDA ("Earnings before interest, taxes, depreciation and amortization"): This is used by Management as an indicator of the Group's capacity to generate profits solely taking into account its production capacity, eliminating amortization and depreciation and the effect of financial results and income tax. It is calculated by deducting the amortization / depreciation expense and impairment losses from operating profit for the period.

Million Euros		Six-month period ended June 30	
		2018	2017
Revenue	Sales and other income	2,260.4	2,629.1
Operating expenses	Cost of raw materials and other consumables, staff costs, other operating expenses and amortization/ depreciation and impairment	(2,243.2)	(2,524.5)
Operating profit	**Operating income - Operating expense**	**17.1**	**104.6**
Amortization/ depreciation expense and impairment	Fixed asset amortization/depreciation and impairment	8.3	12.5
EBITDA	**Operating profit excluding amortization and depreciation**	**25.5**	**117.1**

Group management has confirmed that there have been no changes in criterion in the definition, reconciliation or use of this indicator with respect to the previous year.

EBIT ("Earnings before interest and taxes"): EBIT is an indicator of the Group's operating profit not taking into account financial or tax results. Management uses this indicator to complement EBITDA in its industry benchmarking. EBIT is equivalent to operating profit. Movements are as follows:

Million Euros		Six-month period ended June 30	
		2018	2017
EBITDA	Operating profit excluding amortization and depreciation	25.5	117.1
Amortization/depreciation expense and impairment	Fixed asset amortization/depreciation and impairment	8.3	12.5
EBIT	**Operating profit**	**17.1**	**104.6**

Group management has confirmed that there have been no changes in criterion in the definition, reconciliation or use of this indicator with respect to the previous year.

Net cash. Net cash is the alternative performance measure used by Management to measure the Group's liquidity level. It is calculated as the difference between cash and equivalents plus financial assets at fair value through profit or loss and financial debt (including the financial debt related to assets classified as held for sale). Cash and equivalents include cash on hand, demand deposits with credit institutions and other short -term highly liquid investments with an original maturity of 3 months or less. The calculation is as follows:

Million Euros		At June 30, 2018 (non-audited)	At December 31, 2017
Cash and cash equivalents	Cash on hand, demand deposits with credit institutions and other short-term highly liquid investments with a maturity of 3 months or less	674.6	569.9
Financial assets at fair value	Financial assets at fair value through profit or loss	68.0	67.4
Financial debt	Long and short-term payables with credit institutions	(515.7)	(384.4)
	Financial debt related to assets classified as held for sale	(20.1)	(21.5)
Net Cash	**Cash and equivalents plus financial assets at fair value less financial debt.**	**206.9**	**231.3**

Group management has similarly confirmed that there has been no change of criterion in the definition, reconciliation or use of this indicator with respect to the previous year.