TECNICAS REUNIDAS, S.A.
AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements
and Interim Consolidated Management Report for the
six-month period ended 30 June 2021
And Limited Review Report

TÉCNICAS REUNIDAS, S.A.
AND ITS SUBSIDIARIES

Report on Limited Review of
Condensed Interim Consolidated Financial Statements
as at June 30, 2021

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. at the request of the Board of Directors,

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, 2021, 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.

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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, 2021 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 Matters

We draw attention to note 2.3 to the accompanying condensed interim consolidated financial statements in which the directors describe the Técnicas Reunidas Group's expectations with respect to the evolution of COVID-19 and its impacts on operations, liquidity, solvency and measurement of assets and liabilities as well as the measures implemented for their appropriate management, including the consolidation of the efficiency plan, the extension of financing deadlines and the process, which has already reached an advanced stage at the date of this report, of accessing the Fund for Supporting the Solvency of Strategic Companies affected by the pandemic. Within this context, further serious deterioration of the COVID-19 environment that significantly changes the volume of expected impacts or timeframes for the implementation of the measures adopted could give rise to material uncertainty which might cast significant doubt regarding the application of the going-concern principle, conditioning the group's activity and requiring the extension of planned measures or the implementation of other additional ones. This matter does not modify our conclusion.

In addition, we draw attention to accompanying note 2.1, which mentions that the accompanying interim financial statements do not include all the information that would be required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards adopted by the European Union and therefore they should be read together with the group's consolidated annual accounts for the year ended December 31, 2020. 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, 2021 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, 2021. 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 commissioned by the Board of Directors in relation to the publication of the half-year financial information required under article 119 of the Consolidated Text of the Securities Market Law, approved by Royal Legislative Decree 4/2015 of October 23, which approves the revised text of the Securities Market Law developed by Royal Decree 1362 / 2007 of October 19.

PricewaterhouseCoopers Auditores, S.L.	Deloitte, S.L.
Original in Spanish signed by Fernando Pindado Rubio	Original in Spanish signed by Antonio Sánchez-Covisa Martín-González
July 30, 2021	July 30, 2021

TÉCNICAS REUNIDAS, S.A.
AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements and Interim Consolidated Directors' Report for the six-month period ended 30 June 2021

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 30 JUNE 2021
(Amounts in thousands of euros)

	Note	At 30 June 2021 (unaudited)	At 31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	**9**	30,304	33,844
Other intangible assets	**9**	49,953	50,866
Rights of use on leased assets	**10**	42,982	20,905
Investments in associates		1,915	2,711
Deferred tax assets		421,378	407,261
Derivative financial instruments	**11.a**	-	3,336
Accounts receivable and other financial assets	**11.a**	89,065	85,628
		635,597	**604,551**
Current assets			
Inventories		9,029	8,894
Trade and other receivables	**11.a**	2,460,083	2,355,285
Accounts receivable and other assets	**11.a**	9,763	6,947
Derivative financial instruments	**11.a**	10,074	28,855
Cash and cash equivalents		898,064	931,535
		3,387,013	**3,331,516**
Total assets		**4,022,610**	**3,936,067**

The accompanying Explanatory Notes 1 to 18 are an integral part of these Interim Condensed Consolidated Financial Statements.

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2021
(Amounts in thousands of euros)

	Note	At 30 June 2021 (unaudited)	At 31 December 2020
EQUITY			
Share capital and Reserves attributable to the Parent's shareholders			
Share capital	**12**	5,590	5,590
Share premium		8,691	8,691
Treasury shares	**12**	(73,349)	(73,109)
Legal reserve		1,137	1,137
Capitalisation reserve		3,056	3,056
Hedging reserve		724	5,187
Cumulative translation differences		(105,767)	(117,286)
Retained earnings		276,910	439,391
Equity attributable to shareholders		**116,992**	**272,657**
Non-controlling interests		**9,868**	**10,936**
Total equity		**126,860**	**283,593**
LIABILITIES			
Non-current liabilities			
Borrowings	**11.b, d**	526,779	372,176
Borrowings associated with rights of use of leased assets	**10, 11b**	29,517	5,704
Derivative financial instruments	**11.b**	160	-
Deferred tax liabilities		75,027	72,199
Other financial liabilities	**11.b**	678	653
Employee benefit obligations		1,935	2,140
Provisions for contingencies and charges	**13.a**	98,451	37,227
		732,547	**490,099**
Current liabilities			
Trade payables	**11.b**	2,799,834	2,678,103
Current tax liabilities		24,260	51,509
Borrowings	**11.b, d**	277,088	363,979
Borrowings associated with rights of use of leased assets	**10, 11b**	14,419	16,534
Derivative financial instruments	**11.b**	5,806	5,875
Other accounts payable	**11.b**	12,430	16,434
Provisions for contingencies and charges	**13.b**	29,366	29,941
		3,163,203	**3,162,375**
Total liabilities		**3,895,750**	**3,652,474**
Total equity and liabilities		**4,022,610**	**3,936,067**

The accompanying Explanatory Notes 1 to 18 are 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 30 JUNE 2021
(Amounts in thousands of euros)

		Six-month period ended 30 June	
	Note	**2021 (unaudited)**	**2020 (unaudited)**
Revenue		1,421,962	2,108,718
Changes in inventories		(3)	113
Procurements		(1,102,808)	(1,535,874)
Employee benefit expenses		(245,760)	(300,410)
Depreciation, amortisation and impairment losses	**9, 10**	(14,414)	(23,057)
Other operating expenses		(210,909)	(218,047)
Other operating income		4,147	1,627
Profit/(Loss) from operations		**(147,785)**	**33,070**
Finance income		1,557	2,256
Finance costs		(11,066)	(9,558)
Net exchange differences		(3,787)	(5,190)
Share in profit/(loss) of associates		(797)	(491)
Profit/(Loss) before tax		**(161,878)**	**20,087**
Income tax	**8**	(1,847)	(5,992)
Profit/(Loss) for the period		**(163,725)**	**14,095**
Attributable to:			
Shareholders of the Parent		(162,529)	11,691
Non-controlling interests		(1,196)	2,404
		(163,725)	**14,095**
(Loss)/Earnings per share for profit attributable to the equity holders of the Company (expressed in euros per share):			
- Basic and diluted	**12**	(3.03)	0.22

The accompanying Explanatory Notes 1 to 18 are 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 30 JUNE 2021
(Amounts in thousands of euros)

	Six-month period ended 30 June	
	2021 (unaudited)	**2020 (unaudited)**
Profit/(Loss) for the period	**(163,725)**	**14,095**
Items that may be reclassified to profit or loss		
Cash flow hedges	(5,535)	(9,040)
Tax effect	1,072	79
Cash flow hedges, net of tax	(4,463)	(8,961)
Exchange differences on translation of foreign operations	11,647	(15,875)
Total items that may be reclassified to profit or loss	**7,184**	**(24,836)**
Other comprehensive income for the period, net of tax	**7,184**	**(24,836)**
Total comprehensive income for the period	**(156,541)**	**(10,741)**
Attributable to:		
- Owners of the Parent	(155,473)	(13,038)
- Non-controlling interests	(1,068)	2,297
Total comprehensive income for the period	**(156,541)**	**(10,741)**

The accompanying Explanatory Notes 1 to 18 are 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 30 JUNE 2021
(Amounts in thousands of euros)

	Attributable to the owners of the Parent								
	Share capital and share premium	**Treasury shares**	**Legal and capitalisation reserves**	**Hedging reserve**	**Cumulative translation differences**	**Retained earnings**	**Equity**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2021	**14,281**	**(73,109)**	**4,193**	**5,187**	**(117,286)**	**439,391**	**272,657**	**10,936**	**283,593**
Comprehensive income for the period									
Profit/(Loss) for the period	-	-	-	-	-	(162,529)	(162,529)	(1,196)	(163,725)
Other comprehensive income							-		-
Cash flow hedges, net of tax	-	-	-	(4,463)	-	-	(4,463)	-	(4,463)
Exchange differences on translation of foreign operations	-	-	-	-	11,519	-	11,519	128	11,647
Total other comprehensive income	-	-	-	(4,463)	11,519	-	7,056	128	7,184
Total comprehensive income for the period	**-**	**-**	**-**	**(4,463)**	**11,519**	**(162,529)**	**(155,473)**	**(1,068)**	**(156,541)**
Transactions with owners in their capacity as such:									
Treasury share transactions (net)	-	(240)	-	-	-	48	(192)	-	(192)
Other changes	-	-	-	-	-	-	-	-	-
Total transactions with owners in their capacity as such	**-**	**(240)**	**-**	**-**	**-**	**48**	**(192)**	**-**	**(192)**
Balance at 30 June 2021 (unaudited)	**14,281**	**(73,349)**	**4,193**	**724**	**(105,767)**	**276,910**	**116,992**	**9,868**	**126,860**

The accompanying Explanatory Notes 1 to 18 are 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 30 JUNE 2021
(Amounts in thousands of euros)

	Attributable to the owners of the Parent								
	Share capital and share premium	**Treasury shares**	**Legal and capitalisation reserves**	**Hedging reserve**	**Cumulative translation differences**	**Retained earnings**	**Equity**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2020	**14,281**	**(73,830)**	**4,193**	**(24,206)**	**(37,350)**	**434,210**	**317,298**	**12,730**	**330,028**
Comprehensive income for the period									
Profit/(Loss) for the period	-	-	-	-	-	11,691	11,691	2,404	14,095
Other comprehensive income									
Cash flow hedges, net of tax	-	-	-	(8,961)	-	-	(8,961)	-	(8,961)
Exchange differences on translation of foreign operations	-	-	-	-	(15,768)	-	(15,768)	(107)	(15,875)
Total other comprehensive income	-	-	-	(8,961)	(15,768)	-	(24,729)	(107)	(24,836)
Total comprehensive income for the period	**-**	**-**	**-**	**(8,961)**	**(15,768)**	**11,691**	**(13,038)**	**2,297**	**(10,741)**
Transactions with owners in their capacity as such:									
Treasury share transactions (net)	-	291	-	-	-	(668)	(377)	-	(377)
Other changes	-	-	-	-	-	(5,241)	(5,241)	-	(5,241)
Total transactions with owners in their capacity as such	**-**	**291**	**-**	**-**	**-**	**(5,909)**	**(5,618)**	**-**	**(5,618)**
Balance at 30 June 2020 (unaudited)	**14,281**	**(73,539)**	**4,193**	**(33,167)**	**(53,118)**	**439,992**	**298,642**	**15,027**	**313,669**

The accompanying Explanatory Notes 1 to 18 are an integral part of these Interim Condensed Consolidated Financial Statements.

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (in thousands of euros)

	Six-month period ended 30 June	
	2021 (unaudited)	**2020 (unaudited)**
Cash flows from operating activities		
Profit/(Loss) for the period	(163,725)	14,095
Adjustments for:		
Income tax	1,847	5,992
Depreciation and amortisation of property, plant and equipment, intangible assets and rights of use of leased assets	14,414	23,057
Net change in provisions	60,650	46,857
Share in profit/(loss) of associates	797	491
Changes in fair value of financial instruments	-	3,108
Interest income	(1,557)	(2,256)
Interest expense	11,066	6,450
Change in gains/(losses) on derivatives	6,501	7,229
Exchange differences	3,787	5,190
Other income and expenses	-	1,523
Changes in working capital:		
Inventories	(135)	(113)
Trade and other receivables	(110,186)	(442,398)
Trade payables	127,444	203,404
Other accounts payable	(3,979)	(4,634)
Settlements of hedging derivatives and other changes	10,197	(33,809)
Other cash flows from operating activities		
Interest paid	(10,462)	(6,144)
Interest received	1,557	2,256
Taxes paid	(34,282)	(42,682)
Net cash flows (used in)/generated from operating activities	**(86,065)**	**(212,382)**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(784)	(6,533)
Acquisition of intangible assets	(189)	(252)
Disposal of associates	-	20,994
Disposal of non-current assets	269	-
Net cash flows (used in)/generated from investing activities	**(704)**	**14,209**
Cash flows from financing activities		
Proceeds from borrowings	512,510	931,208
Repayment of borrowings	(448,928)	(643,277)
Lease payments	(10,092)	(16,053)
Acquisition/disposal of treasury shares (net)	(192)	291
Net cash flows (used in)/generated from financing activities	**53,298**	**272,169**
Net change in cash and cash equivalents	**(33,471)**	**73,996**
Cash and cash equivalents at beginning of period	**931,535**	**887,629**
Cash and cash equivalents at end of period	**898,064**	**961,625**

The accompanying Explanatory Notes 1 to 18 are an integral part of these Interim Condensed Consolidated Financial Statements.

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021.

1. General information

Técnicas Reunidas, S.A. (the "Company" or the "Parent") and its subsidiaries (together, the "Group") was incorporated on 6 July 1960 as a public limited liability company. It is registered with the Commercial 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.

On 21 May 2021, the registered office of Técnicas Reunidas, S.A. and its main offices were moved to Avenida de Burgos 89, Madrid (Spain).

The Parent'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 lines of business in the oil and gas, and power sectors, and other industries.

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

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

The financial statements of Técnicas Reunidas, S.A. (Parent) and the consolidated financial statements of Técnicas Reunidas, S.A. and subsidiaries for 2020 were authorised for issue by the Board of Directors on 25 February 2021 and approved without any changes by the shareholders at the Annual General Meeting held on 29 June 2021.

These interim condensed consolidated financial statements (the "condensed financial statements" or "interim financial statements") were prepared and authorised for issue by the Board of Directors on 29 July 2021. These interim financial statements have been subject to limited review but have not been audited.

The figures contained in these interim 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-month period ended 30 June 2021 have been prepared in accordance with IAS 34 “Interim Financial Reporting” and, therefore, do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union; the accompanying interim financial statements should therefore be read together with the Group’s consolidated financial statements for the year ended 31 December 2020, prepared in accordance with International Financial Reporting Standards adopted by the European Union (EU-IFRSs).

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 statement of cash flows as at 30 June 2021 are presented with information relating to the six-month period ended 30 June 2020 and the interim condensed consolidated balance sheet is presented with information relating to the year ended 31 December 2020.

In order to facilitate comparison1,212 thousands of euros, which at 31 December 2020 was classified under “Other accounts payable”, has been reclassified to “Borrowings” in current liabilities.

2.3. Effects of COVID-19 on the Company’s activity

The unexpected outbreak of the pandemic that occurred in December 2019 has continued in the first half of 2021, affecting economic markets, goods and services, and financial markets. The challenges and uncertainties associated with the effectiveness of vaccines and continuous outbreaks of the illness continue to complicate the assessment of the economy in general and the oil and gas sector in particular. This uncertainty continues to cause slowdowns in the execution of projects in 2021, the rescheduling of some of them at the request of our customers and the postponement of final decisions regarding new investments. All of this has contributed to delaying sales and reducing the Group’s performance and cash position.

In the first half of 2021, the Group, in addition to prioritising the health protection of its employees, has continued to develop the set of activities initiated in 2020 aimed at strengthening its business and liquidity. This basically includes the consolidation of the efficiency plan that it had been developing since 2019 and the replacement on maturity of the syndicated financing in force in previous years by another financing agreement with repayment terms of over three years (see Note 11.b). In addition, the Group extended the maturity of the ICO-COVID facilities during the first half of 2021, in accordance with Royal Decree Law 34/20, of 17 November, which enables it to preserve its liquidity.

With the information available, the Group assessed the main impacts of the pandemic on the interim financial statements, which are described below:

Impact on operations

The Group has a backlog of projects awarded in recent years. None of the EPC projects in this backlog have been cancelled. However, the COVID-19 crisis is substantially affecting the Group’s operations, especially in the Middle East. In general, project performance has slowed down, especially in the procurement and construction phases, and some relevant projects have been rescheduled at the request of customers, extending their execution time.

No additional rescheduling is expected. Geographical diversification, constant communication with our customers and suppliers, and legal and contractual mechanisms to offset the effects of significant changes in contracts allow us to mitigate, but not eliminate, the associated risks.

In the first half of 2021, the net effect of COVID-19 amounts to a loss of 122.6 million of euros, of which 25.1 million of euros relate to direct and indirect costs not recoverable from our customers and 97.5 million of euros are linked to the Teesside project and its termination by the customer in April 2021. The customer enforced the guarantees and the Group filed a request for arbitration to protect its rights and the work to be billed. The costs incurred in connection with COVID-19 in the first half of the year amounted to 224.7 million of euros, of which 103.4 million of euros are expected to be recovered from our customers. The total cumulative volume of costs associated with COVID-19 since the beginning of the pandemic amounts to 468 million of euros, of which 279 million of euros have been recovered, or are expected to be recovered, from our customers.

In addition, and considering the current COVID-19 environment, the Group has recognised a provision of 61 million of euros as a result of the estimates for certain litigation, arbitration and claims in progress with our customers and suppliers.

The first half of 2021 is characterised by the appearance of new investments in the oil and gas sector, which represents a change in trend, with significant awards having been made in the first six months of 2021. The Parent's directors consider that new projects will be awarded to the Group in the second half of 2021 and that, if there are delays, they will not entail the cancellation of the opportunities in progress.

Impact on liquidity

The coronavirus crisis continues to affect the flow of collections and payments. In this regard, the Group's net cash was reduced by 101 million of euros in the first half of 2021, as a result of delays in payment by certain customers and the rescheduling of certain projects. The Parent's directors consider that the cash figure for 2021 will continue to be affected by the COVID-19 environment and, in particular, by the investment decisions of our customers and by the conversion into cash of our work performed but not yet billed.

The Group monitors its liquidity needs in order to ensure that it has the funds necessary to cover its operating requirements, taking into account the following:

- Gradual recovery of activity in the second half of 2021.
- Progress on projects in accordance with the schedules agreed with customers.
- Gradual recovery of new projects awarded and their impact on cash.
- Progress on the ongoing plans to improve efficiency and cash flows.
- Cash conversion of our work performed but not yet billed according to a standard scenario.

Furthermore, and for the purpose of strengthening its liquidity position, in the first half of 2021 the Group extended the maturity of its borrowings and obtained new short and long-term financing. The Group also implemented new measures for managing working capital in order to mitigate the impact of the slowdown in payment for work performed but not yet billed.

Insofar as the progression of COVID-19 may lead to changes in expectations, a waiver from compliance with financial ratios was obtained for all financing agreements with covenants for the whole of 2021.

Impact on solvency

The losses incurred in the COVID-19 environment during the first half of 2021 have resulted in a contraction of equity of 156 million of euros, however, the Parent's directors consider that the Group has sufficient mechanisms in place to recover this loss. In this regard, the Group initiated the process to access the "Solvency Support Fund for Strategic Companies", in accordance with Royal Decree Law 25/2020, of 3 July, which is managed by Sociedad Estatal de Participaciones Industriales (SEPI).

The financial support requested amounts to a total of 290 million of euros and is structured in two tranches: A first tranche consisting of a participating loan of 150 million of euros, and a second tranche in the form of an ordinary loan, which amounts to 140 million of euros. Both loans will have a term of four years, with the possibility of early repayment. The disbursement of funds is expected to take place in the fourth quarter of 2021, in accordance with the protocols for their receipt by SEPI as the fund manager.

Impact on the valuation of assets and liabilities in the consolidated balance sheet

There have been no cancellations of EPC projects included in the backlog, or significant increases in the risk of non-payment due to deterioration in the financial position of customers or in the assessment of expected losses due to the quality and solvency of the customer portfolio. Likewise, the Group assessed the recoverability of the assets related to the work performed but not yet billed, in particular those relating to exchange orders and claims, as well as the recoverability of deferred tax assets based on the estimated medium- and long-term performance of operations, which did not vary substantially due to the effect of COVID-19, concluding that they may be recovered.

3. Accounting policies

Except as indicated below, the accounting policies applied are consistent with those applied in the 2020 consolidated financial statements.

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

3.1. Standards, amendments and interpretations approved by the European Union and that enter into force on 1 January 2021.

- IFRS 9 (Amendment), IAS 39 (Amendment), IFRS 7 (Amendment), IFRS 4 (Amendment) and IFRS 16 (Amendment) – “Interest rate benchmark reform; Phase 2”
- IFRS 4 (Amendment), “Extension of the temporary exemption from applying IFRS 9”

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

3.2. Standards and interpretations adopted by the EU that are applied for the first time for annual periods beginning on or after 1 January 2022 (companies with reporting dates at 31 December)

- IAS 16 (Amendment) “Property, plant and equipment – Proceeds before intended use”
- IAS 37 (Amendment) – “Onerous contracts – Cost of fulfilling a contract”
- IFRS 3 (Amendment) – “Reference to the conceptual framework”
- IAS 41, Annual improvements to IFRSs, 2018-2020 Cycle
- IFRS 1, Annual improvements to IFRSs, 2018-2020 Cycle
- IFRS 9, Annual improvements to IFRSs, 2018-2020 Cycle
- IFRS 16, Annual improvements to IFRSs, 2018-2020 Cycle

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

At the date of authorisation for issue of these interim condensed consolidated financial statements, the IASB and the IFRS Interpretations Committee had issued the following standards, amendments and interpretations that cannot be adopted early or that have yet to be adopted by the European Union.

- IAS 1 (Amendment) – “Classification of liabilities as current or non-current”
- IAS 1 (Amendment) – “Disclosure of accounting policies”
- IFRS 17 – “Insurance contracts”
- IFRS 17 (Amendment)
- IAS 8 (Amendment) – “Definition of accounting estimates”
- IAS 12 (Amendment) “Deferred tax related to assets and liabilities arising from a single transaction”

The Group is currently analysing the impact that the new standards may have on the interim financial statements.

3.4. Changes in the scope of consolidation

There were no changes in the scope of consolidation during the six-month period ended 30 June 2021.

The only change in the scope of consolidation in the six-month period ended 30 June 2020 was the exclusion of Construcción e Ingeniería FI, Ltda. as a result of its liquidation, a company that was 50% owned by Técnicas Reunidas Chile, S.A.

4. Estimates

In preparing these interim financial statements, management has to make judgements, estimates and assumptions that may affect the application of the accounting policies and the amount of the assets, liabilities, income and expenses. The actual 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 31 December 2020, with the exception of changes in estimates to determine the provision for income tax (see Note 8) and the actions taken to mitigate the impact on solvency as a result of the COVID-19 situation, as indicated in Note 2.3.

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 31 December 2020 (Notes 2 and 3).

5.2. Liquidity risk

Cash flow forecasts are carried out for Group companies and 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 its short-term operating needs while ensuring that it has unused credit facilities available. (see Note 2.3).

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 broken down by level in accordance with the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices 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 2021	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial assets at fair value through other comprehensive income	-	264	-	264
Hedging derivatives	-	10,074	-	10,074
Total assets	**-**	**10,338**	**-**	**10,338**
Liabilities				
Hedging derivatives	-	5,966	-	5,966
Total liabilities	**-**	**5,966**	**-**	**5,966**

At 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial assets at fair value through other comprehensive income	-	264	-	264
Hedging derivatives	-	32,191	-	32,191
Total assets	**-**	**32,455**	**-**	**32,455**
Liabilities				
Hedging derivatives	-	5,875	-	5,875
Total liabilities	**-**	**5,875**	**-**	**5,875**

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 fair 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 that significantly affected the fair value of the Group’s financial assets and financial liabilities either in the first half of 2021 or in the first half of 2020.

No financial assets were reclassified or transferred between levels in the first half of 2021 or in the first half of 2020.

6. Seasonal nature of operations

The Group’s activity is not seasonal in nature.

7. Operating segment reporting

The Group classifies its operating segments as follows:

- Oil and Gas
- Power
- Other industries

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 Parent’s Board of Directors.

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

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

In the “Other industries” segment, the Group carries out projects in multiple arenas, such as airports, industrial facilities, desalination and water treatment plants, and projects for public authorities and other bodies, such as car parks, public spaces and municipal sports centres.

The overhead costs relating to the corporate headquarters and functional departments that do not earn revenue or that may earn revenue that is only incidental to the activities of the Group and that, in any case, cannot be allocated to any operating segment or be included as part of an operating segment, as indicated in IFRS 8.6, are classified as “Unallocated”.

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, as well as borrowings and tax payables, have not been allocated by segment. Additionally, non-current assets are not allocated, nor is the relevant depreciation or impairment, as they are not considered to be significant.

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

The detail, by business segment, of the revenue and profit or loss for the six-month periods ended on 30 June 2021 and 2020 are as follows:

	Six-month period ended 30 June 2021				
	Oil and Gas	**Power**	**Other industries**	**Unallocated**	**Group**
Revenue	1,408,289	(4,636)	18,309	-	**1,421,962**
Profit/(Loss) from operations	35,851	(127,016)	(5,374)	(51,246)	**(147,785)**
Net financial profit/(loss)	-	-	-	(13,296)	**(13,296)**
Share in profit/(loss) of associates	-	-	-	(797)	**(797)**
Profit/(Loss) before tax	**35,851**	**(127,016)**	**(5,374)**	**(65,339)**	**(161,878)**
Income tax	-	-	-	(1,847)	**(1,847)**
Profit/(Loss) for the period	**35,851**	**(127,016)**	**(5,374)**	**(67,186)**	**(163,725)**

	Six-month period ended 30 June 2020				
	Oil and Gas	**Power**	**Other industries**	**Unallocated**	**Group**
Revenue	1,937,997	127,267	43,454	-	**2,108,718**
Profit/(Loss) from operations	238,893	(148,202)	(2,356)	(55,265)	**33,070**
Net financial profit/(loss)	-	-	-	(12,492)	**(12,492)**
Share in profit/(loss) of associates	-	-	-	(491)	**(491)**
Profit/(Loss) before tax	**238,893**	**(148,202)**	**(2,356)**	**(68,248)**	**20,087**
Income tax	-	-	-	(5,992)	**(5,992)**
Profit/(Loss) for the period	**238,893**	**(148,202)**	**(2,356)**	**(74,240)**	**14,095**

The energy division's sales and losses were significantly affected by the termination of the contract for the Teesside project, which is closely related to the severity of COVID-19 in the United Kingdom and the subsequent difficulties in carrying out the project (Note 2.3).

Revenue by geographical area for the six-month periods ended on 30 June 2021 and 2020 are as follows:

	Six-month period ended 30 June	
	2021	**2020**
Spain	12,876	53,988
Middle East	1,143,878	1,598,433
Americas	174,012	161,316
Asia	112,125	233,123
Europe	(75,611)	31,670
Mediterranean	54,682	30,188
Total	**1,421,962**	**2,108,718**

Income from the Middle East relates mainly to operations in Saudi Arabia, Abu Dhabi, Kuwait, Bahrain and Oman; in the Americas, 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 2021 and 2020 compared with December 2020 and 2019, most of which corresponded to the Oil and Gas segment (see Note 5 to the consolidated financial statements at 31 December 2020).

8. Income tax

The income tax expense is recognised based on management's estimate for the full financial year. The tax expense recognised is in line with the expected tax expense for year-end 2021.

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

The changes in the first six months of 2021 and 2020 are as follows:

	Thousands of euros	
	Intangible assets	Property, plant and equipment
Cost		
Balances at 1 January 2021	**92,968**	**140,068**
Additions	189	784
Disposals and other reductions	(156)	(350)
Translation differences	22	441
Balances at 30 June 2021	**93,023**	**140,943**
Accumulated depreciation and amortisation		
Balances at 1 January 2021	**42,102**	**106,224**
Disposals and other reductions	(156)	(81)
Charge for the period	1,111	4,126
Translation differences	13	370
Balances at 30 June 2021	**43,070**	**110,639**
Net assets		
Balances at 1 January 2021	**50,866**	**33,844**
Balances at 30 June 2021	**49,953**	**30,304**

	Thousands of euros		
	Intangible assets		
	Goodwill	Other intangible assets	Property, plant and equipment
Cost			
Balances at 1 January 2020	**1,242**	**95,120**	**166,899**
Additions	-	252	6,533
Disposals and other reductions	-	-	(4,359)
Translation differences	-	(24)	(1,688)
Balances at 30 June 2020	**1,242**	**95,348**	**167,385**
Accumulated depreciation and amortisation			
Balances at 1 January 2020	-	**41,959**	**115,273**
Disposals and other reductions	-	-	(2,840)
Charge for the period	-	1,201	5,824
Translation differences	-	(6)	(1,410)
Balances at 30 June 2020	**-**	**43,154**	**116,847**
Net assets			
Balances at 1 January 2020	**1,242**	**53,161**	**51,626**
Balances at 30 June 2020	**1,242**	**52,194**	**50,538**

At 30 June 2021 and 31 December 2020, the Group did not have any significant commitments to purchase non-current assets.

During the first six months of 2020, there were no circumstances indicating the possible impairment of goodwill.

10. Rights of use on leased assets

The changes in the first six months of 2021 and 2020 are as follows:

	Offices	Vehicles	Housing	Total
Cost				
1 January 2021	**47,026**	**11,710**	**14,820**	**73,556**
New contracts	3,328	828	345	4,501
Changes due to amendments to existing contracts	28,472	-	(1,504)	26,968
Reductions	(3,331)	-	-	(3,331)
Translation differences	(367)	546	(149)	30
Ending balance	**75,128**	**13,084**	**13,512**	**101,724**
Amortisation charge				
1 January 2021	**34,032**	**7,059**	**11,560**	**52,651**
Charge for the period	6,126	2,071	980	9,177
Reductions	(3,331)	-	-	(3,331)
Translation differences	(111)	119	237	245
Ending balance	**36,716**	**9,249**	**12,777**	**58,742**
Balances at 1 January 2021	**12,994**	**4,651**	**3,260**	**20,905**
Net balance at 30 June 2021	**38,412**	**3,835**	**735**	**42,982**

	Offices	Vehicles	Housing	Total
Cost				
1 January 2020	**52,077**	**7,995**	**10,833**	**70,905**
New contracts	86	3,794	2,465	6,345
Changes due to amendments to existing contracts	784	143	211	1,138
Reductions	(2,068)	-	-	(2,068)
Translation differences	(237)	(115)	(84)	(436)
Ending balance	**50,642**	**11,817**	**13,425**	**75,884**
Amortisation charge				
1 January 2020	**19,022**	**3,307**	**6,103**	**28,432**
Charge for the period	9,182	2,686	4,164	16,032
Translation differences	(197)	(70)	(110)	(377)
Ending balance	**28,007**	**5,923**	**10,157**	**44,087**
Balances at 1 January 2020	**33,055**	**4,688**	**4,730**	**42,473**
Net balance at 30 June 2020	**22,635**	**5,894**	**3,268**	**31,797**

The changes due to amendments to contracts for office leases relates mainly to the extension signed for the lease of the head office in Madrid.

The amounts paid in relation to rights of use on leased assets at 30 June 2021 amounted to 10,092 thousands of euros (28,925 thousands of euros at 31 December 2020).

At 30 June 2021, the borrowings associated with the rights of use of leased assets amounted to 43,936 thousands of euros (22,238 thousands of euros at 31 December 2020) and the interest charged to the income statement amounted to 259 thousands of euros (756 thousands of euros at 31 December 2020).

11. Financial instruments

a) Financial assets

The detail, by nature and measurement category, of the financial assets (excluding cash and cash equivalents) at 30 June 2021 and 31 December 2020 are as follows:

	At 30 June 2021		
Financial assets:	**Financial assets through other comprehensive income**	**Amortised cost**	**Hedging derivatives**
Nature / Category			
Derivatives	-	-	-
Accounts receivable and other financial assets	264	88,801	-
Long-term/non-current	**264**	**88,801**	**-**
Derivatives	-	-	10,074
Trade and other receivables	-	2,460,083	-
Accounts receivable and other financial assets	-	9,763	-
Short-term/current	**-**	**2,469,846**	**10,074**
Total financial assets	**264**	**2,558,647**	**10,074**

	At 31 December 2020		
Financial assets:	**Financial assets through other comprehensive income**	**Amortised cost**	**Hedging derivatives**
Nature / Category			
Derivatives	-	-	3,336
Accounts receivable and other financial assets	264	85,364	-
Long-term/non-current	**264**	**85,364**	**3,336**
Derivatives	-	-	28,855
Trade and other receivables		2,355,285	-
Accounts receivable and other financial assets	-	6,947	-
Short-term/current	**-**	**2,362,232**	**28,855**
Total financial assets	**264**	**2,447,596**	**32,191**

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

a.1) - Impairment losses on financial assets

The changes in the first half of 2021 and 2020 in the balance of provisions for impairment of the assets included under “Trade and other receivables” is shown below:

	At 30 June	
	2021	**2020**
Beginning balance	**30,568**	**31,970**
Impairment losses charged to income	3,956	1,172
Ending balance	**34,524**	**33,142**

The remaining financial assets were not impaired in the first half of 2021 and 2020.

a.2) - Trade and other receivables

This heading includes 2,042,198 thousands of euros (1,817,705 thousands of euros at 31 December 2020) relating to the work performed but not yet billed, which is calculated in accordance with the criteria established in Note 2.20 to the consolidated financial statements for the year ended 31 December 2020.

680,829 thousands of euros in claims and change orders were recognised at 30 June 2021 in relation to the work performed but not yet billed. At 31 December 2020, the amount of these claims and change orders totalled 677,469 thousands of euros, of which 463,901 thousands of euros were still in the process of being negotiated at the date of authorisation for issue of these interim consolidated financial statements.

At the date of authorisation for issue of these interim consolidated financial statements, agreements had been entered into with customers in relation to claims and change orders recognised at 31 December 2020 amounting to 4,761 thousands of euros and 174,851 thousands of euros, respectively.

At 30 June 2021 and 31 December 2020, the total amount requested in claims amounted to 1,381,357 thousands of euros and 1,436,539 thousands of euros, respectively. The breakdown, by geographical area, of the amounts recognised at 30 June 2021 (31 December 2020) is as follows:

- Middle East: 85% (74%)
- Americas: 7% (13%)
- Mediterranean, Europe and Asia: 8% (13%)

At 30 June 2021 and 31 December 2020, the total amount requested in claims amounted to 746,227 thousands of euros and 672,784 thousands of euros, respectively.

In addition, at 30 June 2021 the Group had derecognised receivables through non-recourse factoring in the amount of 90,129 thousands of euros (210,513 thousands of euros at 31 December 2020).

b) Financial liabilities

The detail, by nature and measurement category, of the financial liabilities at 30 June 2021 and 31 December 2020 are as follows:

	At 30 June 2021		At 31 December 2020	
Financial liabilities	**Accounts payable**	**Hedging derivatives**	**Accounts payable**	**Hedging derivatives**
Nature / Category				
Borrowings	526,779	-	372,176	-
Borrowings associated with rights of use of leased assets	29,517	-	5,704	-
Derivatives	-	160	-	-
Other accounts payable	678	-	653	-
Non-current payables/Non-current financial liabilities	**556,974**	**160**	**378,533**	**-**
Borrowings	277,088	-	363,979	-
Borrowings associated with rights of use of leased assets	14,419	-	16,534	-
Derivatives	-	5,806	-	5,875
Trade payables	2,799,834	-	2,678,103	-
Other accounts payable	12,430	-	16,434	-
Current payables/Current financial liabilities	**3,103,771**	**5,806**	**3,075,050**	**5,875**
Total financial liabilities	**3,660,745**	**5,966**	**3,453,583**	**5,875**

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

c) Hedging financial derivatives

Note 2.21 to the Group's consolidated financial statements for the year ended 31 December 2020 details the criteria used by the Group for hedging activities. There have been no changes in these criteria during the first half of 2021.

The changes in current and non-current derivative financial instruments in the first half of 2021 relate to the changes due to the valuation of derivative financial instruments carried out by the Group, and to the arrangements and settlements thereof during that period. There have been no changes in valuation techniques in estimating the fair value of derivative financial instruments. These valuation techniques are those customarily used in the market; the procedure consists of calculating the 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 in accordance with the reports of financial experts.

During the first half of 2021 and 2020, there were no significant inefficiencies due to foreign currency hedges.

d) Borrowed funds

The details of the borrowed funds at 30 June 2021 and at 31 December 2020 are as follows:

	At 30 June 2021	At 31 December 2020
Non-current		
Borrowings	518,317	363,931
Other	8,462	8,245
	526,779	**372,176**
Current		
Borrowings	276,427	362,857
Other	661	1,122
	277,088	**363,979**
Total borrowed funds	**803,867**	**736,155**

"Other" includes the amount of financing from the CDTI obtained for research projects.

In the second quarter of 2021, the maturity of the loan guaranteed by the ICO for 244 million of euros (ICO COVID-19 facility) was extended until April 2026, pursuant to Royal Decree Law 34/20: This financing, as well as the syndicated financing of 127 million of euros and a credit facility of 66 million of euros, both backed by CESCE, require the consolidated net financial debt/EBITDA ratio to be less than or equal to 2.5. A waiver from compliance with this ratio was granted for the whole of 2021.

In addition, the syndicated loan guaranteed by the ICO for 244 million of euros and the syndicated financing from CESCE for 127 million of euros contain a restriction that 30% of net profit may be used for the distribution of profit with a charge to 2021-2022, 40% of consolidated net profit for 2023 and 50% of consolidated net profit for 2024.

The repayment periods for the remaining ICO COVID-19 loans/credit facilities with guarantees, amounting to 122 million of euros, have been extended in accordance with Royal Decree Law 34/2020.

In addition, during the first half of 2021 the Group issued new short-term promissory notes in the alternative fixed-income market (MARF), the balance of which at 30 June 2021 amounted to 122,727 thousands of euros. The average interest rate is 0.6%.

Bonds were also issued in the MARF, with a balance of 48,971 thousands of euros at 31 June 2021, accruing interest at a rate of 2.75% and maturing in December 2024. These bonds require the consolidated net financial debt/EBITDA ratio to be less than or equal to 2.5, although a waiver from compliance with this ratio was granted for the whole of 2021.

The agreements for private placement of long-term debt and the German promissory note financing in place at 30 June 2021 require the consolidated net financial debt/EBITDA ratio to be less than or equal to 3, although a waiver from compliance with this ratio was granted for the whole of 2021.

At 30 June 2021, the Group had extended the maturity of all its financing facilities, with the maturities of its promissory note and bond programmes in the MARF and a working capital facility linked to projects in the Persian Gulf yet to be extended in the second half of the year.

The Group's undrawn credit facilities are as follows:

	Thousands of euros	
Floating rate:	**30 June 2021**	**31 December 2020**
- maturing within one year	49,239	192,450
- maturing in more than one year	109,151	33,749
	158,390	**226,199**

12. Equity

Share capital

At 30 June 2021 and 31 December 2020, the total authorised number of ordinary shares was 55,896,000 shares, with a par value of euros 0.10 each. All of the shares issued are fully paid and carry the same voting and dividend rights.

Treasury shares at 30 June 2021 represent 3.95% of the Parent's share capital (3.93% at 31 December 2020) for a total of 2,211,527 shares (2,198,034 shares at 31 December 2020).

The shareholders at the Parent's Annual General Meeting held on 25 June 2020 agreed to authorise the Board of Directors to acquire treasury shares up to the maximum number of shares established by law, at a price that may not be more than 5% higher or lower than the weighted average share price on the day the purchase is made (or the minimum and maximum prices allowed by law at any given time) and with a maximum daily volume that may not be more than 15% of the average daily volume traded on the market for orders of the regulated market or the Spanish multilateral trading system over the previous thirty sessions.

The Parent 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 agreement was signed for a term of one year, which was renewed on 10 July 2017 in accordance with CNMV Circular 1/2017, of 26 April, and was automatically extended for additional years on 10 July 2019. A total of 74,500 shares were allocated to the securities account associated with the agreement and 2,537 thousands of euros were allocated to the cash account associated with the agreement.

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

Dividends declared and paid by the Parent

No dividends have been declared or paid in the first half of 2021 or 2020.

Losses/Earnings per share

Basic losses/earnings per share are calculated by dividing the profit attributable to the holders of ordinary equity instruments of the Parent by the weighted average number of ordinary shares outstanding during the period. Details of losses/earnings per share for the six-month periods ended on 30 June 2021 and 2020 are as follows:

	2021 (6 months)	2020 (6 months)
Profit for the period attributable to ordinary equity holders of the entity (thousands of euros)	(162,529)	11,691
Weighted average number of ordinary shares outstanding	53,691,220	53,759,867
Earnings per share of the profit attributable to ordinary equity holders of the entity (euros per share)	(3.03)	0.22

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

13. Provisions for contingencies and charges

Note 22 to the Group's consolidated financial statements for the year ended 31 December 2020 details the criteria used by the Group for establishing these provisions. There have been no changes in these criteria during the first half of 2021. The changes in non-current provisions during the six-month periods ended 30 June 2021 and 30 June 2020 are shown below:

a) Provisions for contingencies and charges - Non-current

	Six-month period ended 30 June 2021			
DESCRIPTION	**Provision for estimated project loss**	**Provision for infrastructure**	**Other provisions**	**Total provisions for contingencies and charges**
Balance at 01/01/2021	**2,588**	**4,000**	**30,639**	**37,227**
Reversals/amounts used	-	-	-	-
Period provisions	-	-	61,224	61,224
Balance at 30/06/2021	**2,588**	**4,000**	**91,863**	**98,451**

	Six-month period ended 30 June 2020			
DESCRIPTION	**Provision for estimated project loss**	**Provision for infrastructure**	**Other provisions**	**Total provisions for contingencies and charges**
Balance at 01/01/2020	**2,588**	**4,000**	**27,707**	**34,295**
Reversals/amounts used	-	-	-	-
Transfers	18,075	-	-	18,075
Period provisions	-	-	7,539	7,539
Balance at 30/06/2020	**20,663**	**4,000**	**35,246**	**59,909**

Provision for estimated project loss

In compliance with that established in IAS 37, the Group recognises provisions to cover estimated future losses on projects currently in progress.

Provision for infrastructure

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

Other provisions

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.
The increase in the period relates to provisions recognised for a total of 61,224 thousands of euros relating to litigation, arbitration and claims with customers and subcontractors (see Note 2.3). This provision was recognised under "Other operating expenses" in the interim condensed consolidated income statement.

With regard to non-current provisions, given the nature of the risks included, it is not possible to determine a reasonable schedule for the related payments.

b) Provisions for contingencies and charges - Current

	Thousands of euros	
	30 June 2021	**30 June 2020**
Beginning balance	**29,941**	**43,642**
Reversals/amounts used	(575)	-
Period provisions	-	28,782
Ending balance	**29,366**	**72,424**

The current provisions relate mainly to the amount arising from the Sines litigation established in the arbitration award.

14. Related party transactions

Related party transactions, which are part of the Group's ordinary business, during the first six months of 2021 and 2020 are as follows:

- Transactions with shareholders of the Parent

During the first six months of 2021 and 2020, the Group did not carry out any transactions with any of its main shareholders.

- Transactions with directors and executives of the Parent and entities related to them

No transactions were performed with the Parent's directors during the six-month period ended 30 June 2021 and 30 June 2020, except as detailed below and in Note 15:

- Transactions with Banco Sabadell:

Thousands of euros	**30 June 2021**	**30 June 2020**
Finance costs	9	134
Finance income	-	10
Thousands of euros		
Credit facilities	10,000	10,000
Drawn balances	5,000	5,000
Guarantee line	57,655	77,000
Used guarantees	28,771	39,224

The Group also had current accounts in euros and in foreign currencies, which were necessary to carry out its ordinary business transactions. At 30 June 2021, the equivalent amount in current accounts and deposits totalled 6,205 thousands of euros (31 December 2020: 5,401 thousands of euros).

During the six-month periods ended 30 June 2021 and 30 June 2020, transactions amounting to 150 thousands of euros and 152 thousands of euros, respectively, were carried out with the Parent's directors.

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

- Transactions with associates

These refer to transactions carried out with associates for the portion not eliminated in the consolidation process. The detail of these transactions is as follows:

	Thousands of euros	
	First six months 2021	**First six months 2020**
Services received	-	-
Services rendered	79	94

15. Remuneration and other benefits paid to the Parent's Board of Directors and senior executives

a) Remuneration of the Board of Directors

The details of the remuneration and benefits received by Board members of the Parent for the six-month periods ended 30 June 2021 and 2020 are as follows:

	Thousands of euros	
	30 June 2021	**30 June 2020**
Type of remuneration		
Fixed remuneration	728	707
Variable remuneration	385	1,100
Attendance fees	1,032	897
Other services	150	152
Total:	**2,295**	**2,856**
Other benefits		
Life insurance premiums	2	20
Total other benefits:	**2**	**20**

The Group also has an annual payment commitment of 333 thousands of euros in 2021 and 145 thousands of euros in 2020 for third-party liability insurance to directors.

During the first six months of 2021 and 2020, no advances were granted to Board members.

b) Remuneration of senior executives

The total remuneration paid to senior executives for the six-month period ended 30 June 2021 amounts to 3,230 thousands of euros (30 June 2020: 2,900 thousands of euros).

No advances or loans were granted to senior executives during the first six months of 2021 (30 June 2020: 6 thousands of euros).

No other types of remuneration were accrued during the first six months of 2021 or 2020.

16. Average headcount

The detail, by category and gender, of the Group's average headcount for the first six months of 2021 and 2020 is as follows:

	Average headcount for the six-month period					
	2021			**2020**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executive directors and senior executives	11	1	12	11	2	13
Graduates, line personnel and clerical staff	4,860	2,651	7,511	5,943	3,240	9,183
Non-graduates/Unqualified staff	43	1	44	53	1	54
Sales staff	36	13	49	45	16	61
	4,950	**2,666**	**7,616**	**6,052**	**3,259**	**9,311**

The average headcount at 30 June 2021 included 116 subcontracted employees (at 30 June 2020: 834 employees).

The average number of employees with a disability equal to or greater than 33% during the six-month periods ended 30 June 2021 and 30 June 2020 by the companies included in the Group was 25 and 36 employees, respectively.

17. Other information

- Contingencies and guarantees provided

Note 29 to the consolidated financial statements for the year ended 31 December 2020 includes information on the contingencies and guarantees provided at that date.

In the normal course of business, and as is common practice among companies engaging in engineering and construction activities, the Group issued guarantees to third parties for a value of 4,970,720 thousands of euros at 30 June 2021 (31 December 2020: 5,033,692 thousands of euros).

The total guarantees provided include syndicated guarantee lines amounting to 631,204 thousands of euros (31 December 2020: 560,429 thousands of euros) that are subject to certain covenants, compliance with which was waived for the whole of 2021.

Group management considers that the provisions recognised in these interim financial statements at 30 June 2021 reasonably cover the risks of litigation, arbitration and claims, and that additional liabilities are not expected to arise.

In relation to the tax audits mentioned in Note 27 to the consolidated financial statements for the year ended on 31 December 2020, guarantees have been presented before the tax authorities in an amount of 114.7 million of euros for the tax charge and 45 million of euros for late-payment interest.

The Group is party to certain judicial and arbitration disputes, within the closure process of the projects, with customers and suppliers. The most significant of these in the first half of 2021 was the termination of the contract and the subsequent commencement of legal proceedings associated with the Teesside project (UK), and the arbitration award with a subcontractor (SSK). Based on the opinion of the Group's legal advisors, using the information available, the Group recognised a provision corresponding to its best estimate and made the provision mentioned in Note 13. The Parent's directors consider that the final ruling handed down will not have a significant effect on the Group's equity position.

18. Events after the reporting date

After 30 June 2021, the maturity of the financing facilities that matured on that date was extended by one year, and the limit and issues of the promissory note programme in the MARF were increased.

From the reporting date of the six-month interim period ended 30 June 2021 to the date of authorisation for issue of these interim condensed consolidated financial statements, no significant events, in addition to that disclosed in the paragraph above, have taken place that were not mentioned in the notes to the financial statements.

INTERIM CONSOLIDATED DIRECTORS' REPORT
FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2021

1. Business performance

1.1. Business performance in the first half of 2021

The appearance of the COVID-19 coronavirus in China at the end of 2019 and its expansion worldwide in 2020 and 2021, with new variants, has had a very long and significant impact on the execution of Técnicas Reunidas' projects.

hDespite the advances made regarding vaccines in several countries around the world during the first half of 2021, the emergence of new variants, such as the Delta variant, is delaying the return to normal economic activity.

With regard to the impact on the Group's operations, the health of its workers was prioritised from the start of operations, in full coordination with customers. The measures implemented have affected and continue to affect the rate at which projects are carried out, which is slower than initially planned.

As a result, in 1H2021 the Técnicas Reunidas Group's sales amounted to 1,422 million of euros, down 33% on 1H2020. This decrease in sales is the result of having to reschedule of the execution of several projects due to the COVID-19 pandemic. These projects will return to full activity in 2022 and 2023.

The loss from operations for the first half of 2021 amounted to -148 million of euros. This figure was mainly affected by the impact of the termination of the biomass plant contract by the customer MGT Teesside when it reached 99.2% completion.

A total of 99% of all revenue came from oil and gas activity, which still accounted for the largest portion of the Group's billings, and 1% came from power generation projects and from other industries.

Técnicas Reunidas was awarded the following projects in the first half of 2021:

A new petrochemical plant for Sasa Polyester in Turkey, a biofuel plant for G.I.Dynamics in the Netherlands, an olefins plant for PKN Orlen in Poland, a waste treatment unit for Gazprom Neft in Russia, and a combined cycle plant for General Electric in Poland. In addition, the Company signed important engineering contracts and agreements for environmental and hydrogen developments.

Business performance by areas in the first half of 2021

Each of Técnicas Reunidas' lines of business performed as follows:

<u>Oil and Gas</u>

Sales in the Oil and Gas area totalled 1,408 million of euros in the first half of 2021. This amount represents a decrease compared to the same period last year, mainly as a result of a slower rate of progress in carrying out the projects due to the COVID-19 pandemic.

In the refining and petrochemicals area, the projects underway with the greatest development in this period were the Duqm refinery for DRPIC in Oman, the conversion project for Bapco (Bahrain), and the Ras Tanura clean fuels project for Saudi Aramco (Saudi Arabia).

In the upstream and gas area, the projects underway with the greatest contribution to sales in this period were: the ADGAS project for ADNOC LNG and the Buhasa project for ADNOC ONSHORE in the United Arab Emirates.

Power and Other Industries

Sales in the Power and Other Industries areas totalled 14 million of euros in the first half of 2021.

This amount represents a reduction of 92% compared to the same period of the previous year as a result of the completion of some projects and the delay in the execution of other projects caused by the effects of the COVID pandemic.

2. Main risks and uncertainties for the second half of 2021

The continued and prolonged impact of the coronavirus on the economy may continue to affect the activity of Técnicas Reunidas. Despite the development of vaccines, the emergence of more contagious variants, such as the Delta variant, is delaying the return to normal project execution. It is therefore likely that a slower rate of execution than planned will be maintained.

With regard to the rate of new projects awarded, important awards were secured for Técnicas Reunidas in the second quarter of 2021. The pace of new awards is expected to continue in the second half of 2021.

Técnicas Reunidas' activity is closely linked to the performance of energy prices. Recent months have seen a recovery in oil and natural gas prices in all markets. If these price levels are maintained over the coming months, it will confirm the pace of investment announced by customers.

The prices of the raw materials that Técnicas Reunidas uses in the execution of its projects (copper, steel, nickel, etc.) have risen sharply in recent months, mainly due to the recovery of activity in Asian markets. Although Técnicas Reunidas uses active risk management procedures associated with these procurements, it is still exposed to any fluctuations that may occur in these markets.

Other risks to which Técnicas Reunidas is exposed include geopolitical risk, currency market volatility, the capacity of its suppliers to meet orders, the emergence of new competitors and the availability of engineering, construction and assembly resources, among others.

Against the backdrop of this pandemic, it is worth noting the risk associated with the uncertainty of our customers' decisions related to the execution of their projects.

2.1. Alternative Performance Measures

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

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

EBITDA ("Earnings before interest, taxes, depreciation and amortizations"):

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 depreciation and amortisation expense and charges for impairment losses for the period from operating profit.

		Millions of euros	
		Six-month period ended 30 June	
		2021	2020
Revenue	Sales and other income	1,426.1	2,110.3
Operating expenses	Procurement costs, staff costs, other operating expenses, depreciation and amortisation, and impairment	(1,573.9)	(2,077.2)
Profit/(Loss) from operations	**Income - Operating expenses**	**(147.8)**	**33.1**
Depreciation and amortisation charge and impairment	Depreciation, amortisation and impairment	14.3	23.1
EBITDA	**Profit from operations, excluding depreciation and amortisation**	**(133.5)**	**56.2**

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

EBIT ("Earnings before interest and taxes")

EBIT is an indicator of the Group's operating profit without taking into account financial or tax results. 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 30 June	
		2021	2020
EBITDA	Profit/(Loss) from operations, excluding depreciation and amortisation	(133.5)	56.2
Depreciation and amortisation charge and impairment	Depreciation, amortisation and impairment	(14.3)	(23.1)
EBIT	**Profit/(Loss) from operations**	**(147.8)**	**33.1**

Group management confirms that there has been no change in the definition, reconciliation or use of this indicator with regard to that used in the previous year.

Net cash

Net cash is the alternative performance measure used by management to measure the Group's level of liquidity. It is calculated as the difference between "cash and cash equivalents" plus "financial assets at fair value through profit or loss" and "borrowings" (excluding "borrowings associated with rights of use of leased assets"). Cash and cash equivalents include cash on hand, demand deposits in banks and other short-term highly liquid investments originally maturing within three months or less. It has been calculated as follows:

		Millions of euros	
		At 30 June 2021	**At 30 June 2020**
Cash and cash equivalents	Cash on hand, demand deposits in banks and other short-term highly liquid investments maturing within three months or less.	898.1	961.6
Financial assets at fair value	Financial assets at fair value through profit or loss	0	62
Borrowings	Non-current and current bank borrowings	(803.9)	(869.1)
Net cash	**Cash and cash equivalents, plus financial assets at fair value, less borrowings**	**94.2**	**154.5**

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