TECNICAS REUNIDAS

INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

Auditors’ Report, Financial Statements and Directors´ Report for the six-month period ending 30 June 2023.

TÉCNICAS REUNIDAS, S.A. Y
AND ITS SUBSIDIARIES

Report on Limited Review of
Condensed Interim Consolidated Financial Statements
as at June 30, 2023

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 of June 30, 2023, 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 people 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, 2023 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.

Deloitte, S.L. inscrita en el Registro Mercantil de Madrid, tomo 13.650. sección 8ª, folio 188, hoja M-54414, inscripción 96ª, C.I.F.: B-79104469.
Tel.: +34 915 14 50 00, Fax: +34 915 14 51 80, www.deloitte.es
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020 Madrid

Emphasis of Matters

We draw attention to what is indicated in note 2, 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, 2022. 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, 2023 contains the explanations that 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 in this directors' Report is consistent with the interim financial statements for the six-month period ended June 30, 2023. Our work is limited to the verification of 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 100 of the Consolidated Text of the Securities Market Law, approved by Royal Legislative Decree 6/2023 of March 17.

Deloitte, S.L

Original in Spanish signed by
Antonio Sanchez-Covisa Martín-González

July 27, 2023

This version of the interim condensed 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 accounts takes precedence over this translation.

TÉCNICAS REUNIDAS, S.A.
AND SUBSIDIARIES

Interim Condensed Consolidated
Financial Statements
and Interim Consolidated Directors' Report for the
six-month period ending 30 June 2023

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 2023
(Amounts in thousands of euros)

	Notes	At 30 June 2023 (unaudited)	At 31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	**9**	17,600	9,539
Other intangible assets	**9**	46,130	46,980
Rights of use on leased assets	**10**	46,631	51,310
Investments in associates		1,296	1,529
Deferred tax assets		410,489	409,407
Derivative financial instruments	**11.a**	154	1,237
Accounts receivable and other financial assets	**11.a**	91,823	95,428
		614,123	**615,430**
Current assets			
Inventories		7,773	7,740
Trade and other receivables	**11.a**	3,119,334	3,174,557
Accounts receivable and other assets	**11.a**	7,370	21,493
Derivative financial instruments	**11.a**	15,986	37,460
Cash and cash equivalents		992,313	959,680
		4,142,776	**4,200,930**
Total assets		**4,756,899**	**4,816,360**

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 2023
(Amounts in thousands of euros)

	Notes	At 30 June 2023 (unaudited)	At 31 December 2022
EQUITY			
Share capital and Reserves attributable to the Parent's shareholders			
Share capital	**12**	8,030	5,590
Share premium		156,343	8,691
Treasury shares	**12**	(73,889)	(72,909)
Legal reserve		1,137	1,137
Capitalisation reserve		3,056	3,056
Hedging reserve		(6,305)	(14,186)
Cumulative translation differences		(77,627)	(71,885)
Retained earnings		245,172	211,280
Equity attributable to shareholders		**255,917**	**70,774**
Non-controlling interests		**10,178**	**12,240**
Total equity		**266,095**	**83,014**
Participative loans	**11.b, d**	175,000	175,000
Other non-current liabilities			
Borrowings	**11.b, d**	450,282	600,209
Borrowings associated with rights of use of leased assets	**10, 11b**	29,479	35,122
Deferred tax liabilities		66,062	62,001
Other financial liabilities	**11.b**	252	255
Employee benefit obligations		3,054	2,274
Provisions for contingencies and charges	**13.a**	82,054	82,054
		806,183	**956,915**
Current liabilities			
Trade payables	**11.b**	3,316,334	3,487,476
Current tax liabilities		26,550	27,432
Borrowings	**11.b, d**	301,071	201,922
Borrowings associated with rights of use of leased assets	**10, 11b**	18,963	17,279
Derivative financial instruments	**11.b**	6,631	22,277
Other accounts payable	**11.b**	14,472	18,763
Provisions for contingencies and charges	**13.b**	600	1,282
		3,684,621	**3,776,431**
Total liabilities		**4,490,804**	**4,733,346**
Total equity and liabilities		**4,756,899**	**4,816,360**

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 2023
(Amounts in thousands of euros)

	Notes	Six-month period ended 30 June	
		2023 (unaudited)	**2022 (unaudited)**
Revenue		2,171,579	1,654,192
Procurements		(1,642,672)	(1,250,692)
Employee benefit expenses		(269,657)	(237,894)
Depreciation, amortisation and impairment losses	**9, 10**	(12,944)	(12,567)
Other operating expenses		(176,392)	(212,983)
Other operating income		7,428	3,535
Profit/(Loss) from operations		**77,342**	**(56,409)**
Finance income		11,950	1,438
Finance costs		(24,082)	(13,038)
Results from exposure to hyperinflation		(963)	-
Net exchange differences		(4,199)	(64)
Share in profit/(loss) of associates		(233)	(93)
Profit/(Loss) before tax		**59,815**	**(68,166)**
Income tax	**8**	(21,297)	264
Profit/(Loss) for the period		**38,518**	**(67,902)**
Attributable to:			
Shareholders of the Parent		40,504	(68,824)
Non-controlling interests		(1,986)	922
		38,518	**(67,902)**
(Loss)/Earnings per share for profit attributable to the equity holders of the Company (expressed in euros per share):			
- Basic and diluted	**12**	0.66	(1.28)

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

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 June 2023
(Amounts in thousands of euros)

	Six-month period ended 30 June	
	2023 (unaudited)	**2022 (unaudited)**
Profit/(Loss) for the period	**38,518**	**(67,902)**
Items that may be reclassified to profit or loss		
Cash flow hedges	10,577	(19,773)
Tax effect	(2,696)	3,952
Cash flow hedges, net of tax	7,881	(15,821)
Exchange differences on translation of foreign operations	(5,818)	30,006
Total items that may be reclassified to profit or loss	**2,063**	**14,185**
Other comprehensive income for the period, net of tax	**2,063**	**14,185**
Total comprehensive income for the period	**40,581**	**(53,717)**
Attributable to:		
- Owners of the Parent	42,643	(54,821)
- Non-controlling interests	(2,062)	1,104
Total comprehensive income for the period	**40,581**	**(53,717)**

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 2023
(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 attributable to shareholders	Non-controlling interests	Total equity
Balance at 01 January 2023	**14,281**	**(72,909)**	**4,193**	**(14,186)**	**(71,885)**	**211,280**	**70,774**	**12,240**	**83,014**
Comprehensive income for the period									
Profit/(Loss) for the period	-	-	-	-	-	40,504	40,504	(1,986)	38,518
Other comprehensive income									
Cash flow hedges, net of tax	-	-	-	7,881	-	-	7,881	-	7,881
Exchange differences on translation of foreign operations	-	-	-	-	(5,742)	-	(5,742)	(76)	(5,818)
Total other comprehensive income	-	-	-	7,881	(5,742)	-	2,139	(76)	2,063
Total comprehensive income for the period	**-**	**-**	**-**	**7,881**	**(5,742)**	**40,504**	**42,643**	**(2,062)**	**40,581**
Transactions with owners in their capacity as such:									
Capital increase	150,092	-	-	-	-	(7,472)	142,620	-	142,620
Transactions with treasury shares or equity interests (net)	-	(980)	-	-	-	860	(120)	-	(120)
Total transactions with owners in their capacity as such	**150,092**	**(980)**	**-**	**-**	**-**	**(6,612)**	**142,500**	**-**	**142,500**
Balance at 30 June 2023 (unaudited)	**164,373**	**(73,889)**	**4,193**	**(6,305)**	**(77,627)**	**245,172**	**255,917**	**10,178**	**266,095**

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 2023
(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 attributable to the shareholders of the Parent	Non-controlling interests	Total equity
Balance at 1 January 2022	**14,281**	**(73,269)**	**4,193**	**(2,622)**	**(96,043)**	**248,556**	**95,096**	**9,562**	**104,658**
Comprehensive income for the period									
Profit/(Loss) for the period	-	-	-	-	-	(68,824)	(68,824)	922	(67,902)
Other comprehensive income									
Cash flow hedges, net of tax	-	-	-	(15,821)	-	-	(15,821)	-	(15,821)
Exchange differences on translation of foreign operations	-	-	-	-	29,824	-	29,824	182	30,006
Total other comprehensive income	-	-	-	(15,821)	29,824	-	14,003	182	14,185
Total comprehensive income for the period	**-**	**-**	**-**	**(15,821)**	**29,824**	**(68,824)**	**(54,821)**	**1,104**	**(53,717)**
Transactions with owners in their capacity as such:									
Treasury share transactions (net)	-	(163)	-	-	-	104	(59)	-	(59)
Total transactions with owners in their capacity as such	**-**	**(163)**	**-**	**-**	**-**	**104**	**(59)**	**-**	**(59)**
Balance at 30 June 2022 (unaudited)	**14,281**	**(73,432)**	**4,193**	**(18,443)**	**(66,219)**	**179,836**	**40,216**	**10,666**	**50,882**

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 2023 (in thousands of euros)

	Six-month period ended 30 June	
	2023 (unaudited)	**2022 (unaudited)**
Cash flows from operating activities		
Profit/(Loss) for the period	38,518	(67,902)
Adjustments for:		
Taxes	21,296	(264)
Depreciation and amortisation of property, plant and equipment, intangible assets and rights of use of leased assets	12,944	12,567
Net change in provisions	7,656	35,055
Share in profit/(loss) of associates	233	93
Interest income	(11,950)	(1,438)
Interest expense	24,082	13,038
Change in gains/(losses) on derivatives	5,792	33,711
Results from exposure to hyperinflation (IAS 29)	963	-
Exchange differences	4,199	64
Changes in working capital:		
Inventories	(33)	112
Trade and other receivables	55,333	(358,507)
Trade payables	(176,573)	425,148
Other accounts payable	(3,528)	(3,792)
Settlements of hedging derivatives and other changes	11,641	(26,751)
Other cash flows from operating activities		
Interest paid	(22,672)	(7,257)
Interest received	11,950	1,438
Taxes paid	(18,861)	(6,485)
Net cash flows (used in)/generated from operating activities	**(39,010)**	**48,830**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(9,633)	(1,347)
Acquisition of intangible assets	(38)	(132)
Disposal of non-current assets	265	-
Net cash flows (used in)/generated from investing activities	**(9,406)**	**(1,479)**
Cash flows from financing activities		
Capital increase	150,092	-
Costs associated with the capital increase	(7,472)	-
Proceeds from borrowings	160,926	647,455
Repayment of borrowings	(212,395)	(303,344)
Lease payments	(9,981)	(9,115)
Acquisition/disposal of treasury shares (net)	(121)	(59)
Net cash flows (used in)/generated from financing activities	**81,049**	**334,937**
Net change in cash and cash equivalents	**32,633**	**382,288**
Cash and cash equivalents at beginning of period	**959,680**	**666,879**
Cash and cash equivalents at end of period	**992,313**	**1,049,167**

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

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 June 2023.

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 most recent adaptation of its Articles of Association, as a result of the increase in its share capital, is registered in volume 40579, page 63, sheet M-72319, entry 281.

On 21 May 2021, the transfer of the registered office of Técnicas Reunidas, S.A. from Arapiles 14, 28015, Madrid, to Avenida de Burgos 89, Adequa, Edificio 6, Madrid, Spain, was registered at the Commercial Registry of Madrid.

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

As part of its engineering services activity, the Group operates mainly in the following lines of business (Note 7):

- Refining
- Natural gas
- Petrochemical
- Low-carbon technologies
- Other

All the shares of Técnicas Reunidas, S.A. have been admitted to trading since 21 June 2006. They are listed on the Continuous Market of the Spanish Stock Exchange (*Bolsas y Mercados Españoles*)

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 2022 were authorised for issue by the Board of Directors on 28 February 2023 and approved by the shareholders at the Annual General Meeting held on 28 June 2023.

These interim condensed consolidated financial statements (the "condensed financial statements" or "interim financial statements") were prepared and authorised for issue by the Board on 27 July 2023. 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 2023 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 2022, 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 2023 are presented with information relating to the six-month period ended 30 June 2022 and the interim condensed consolidated balance sheet is presented with information relating to the year ended 31 December 2022.

2.3. Highlights

2.3.1 Capital increase

In May 2023, the Parent carried out a capital increase of EUR 150,092 thousand, which at 30 June 2023 was fully subscribed and paid. This capital increase is in keeping with the Group's equity- and liquidity-strengthening strategy intended to provide guarantees to cover the wave of energy investments and the decarbonisation being undertaken by the Group.

This capital increase has strengthened the Company's financial and solvency position. From a liquidity management standpoint, the amount of the increase has, at the end of June, already been allocated to cover debt maturities amounting to EUR 47.5 million, and the rest of the increase, once the related expenses have been subtracted, amounting to approximately EUR 95 million, will be proportionately allocated to strengthen the Company's cash levels and finance the operating expenses associated with the launch of the low-carbon-technologies segment.

In addition, together with the capital increase, the Company's liquidity position has also been strengthened thanks to the rebound in activity and resumption of financial flows since the second half of 2022 and, in particular, in 2023, as well as the progress of the projects in accordance with the time lines agreed with customers, the smooth execution of recently contracted projects, the progress of the plans under way to improve the efficiency of the Group's activities, the conversion into cash in 2022 and the first half of 2023 of change orders and claims, and the various financial measures taken by the Group in recent periods (including obtaining EUR 340 million from the Solvency Support Fund for Strategic Enterprises – FASEE). The Group monitors its liquidity needs on an ongoing basis and ensures that it has the necessary funds with which to meet its operational requirements.

Against this backdrop, the Parent's directors consider that the Group's liquidity and solvency position will be strengthened in the coming quarters as a result of the normal progress of the projects under way, the development of the new portfolio of awarded projects and the conversion into cash of completed work that has not yet been billed.

2.3.2. The Conflict in Ukraine

The war in Ukraine had a strong impact on our operations in 2022. As a result of the restrictions imposed by the European Union and other international bodies, the revamping project of the Moscow refinery with Gazprom was cancelled for an amount of EUR 234 million. At the cancellation date, the project was 4.75% complete. The cancellation minimised activity in Russia, in keeping with the imposed sanctions.

In addition, the conflict in Ukraine significantly affected the stability of the markets, especially in geographical areas close to the conflict. In this respect, major disruptions arose all along the supply chain of the engineering and construction industry in the energy sector. This mainly resulted in significant instability of suppliers' offers and a lack of availability of resources. The economic valuation of these impacts is EUR 50 million in 2022, which was included by reducing the estimated final profit of the projects recognised by degree of progress.

Over the course of 2023, the Group has reached agreements with the customers of several of the hardest-hit projects, and addenda and amendments to the original contracts have been approved, allowing the Group to mitigate the effects of the conflict on project execution and to conduct the projects in accordance with the margins initially envisaged.

2.3.3. Effects of COVID

The effects of COVID-19 have been largely mitigated in the first half of 2023, and the situation of the projects affected has stabilised as at the date of this document.

The cumulative net effect of COVID-19 during the pandemic amounts to a loss of EUR 264 million, an increase of EUR 16 million compared to the previous year. On a percentage-of-completion basis, EUR 256 million was recognised as at 30 June 2023, of which EUR 19 million was recognised on the income statement for the six-month period ended 30 June 2023. Of the cumulative net effect, EUR 164 million relates to direct and indirect costs not recoverable from our customers and EUR 100 million is linked to the Teesside project and its completion by the customer in April 2021.

3. Accounting policies

Except as indicated below, the accounting policies applied are consistent with those applied in the 2022 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. Mandatory standards, amendments and interpretations for all annual periods beginning on 1 January 2023:

- IFRS 17 (New standard): “Insurance contracts”
- IAS 1 (Amendment): “Disclosure of accounting policies”
- IAS 8 (Amendment): “Definition of accounting estimate”
- IAS 12 (Amendment): “Deferred tax related to assets and liabilities arising from a single transaction”.
- IFRS 17 (Amendment): “Insurance contracts - Initial application of IFRS 17 and IFRS 9. Comparative information”.
- IAS 12 (New standard): “Tax reform-Pillar 2 Model Rules”.

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

3.2 Standards, amendments and interpretations that have not yet entered into force but that may be adopted early:

- IFRS 16 (Amendment): “Lease liability in a sale and leaseback”.
- IAS 1 (Amendment) – “Classification of liabilities as current and non-current and those subject to covenants”.
- IAS 7 and IFRS 7 (Amendment): “Supplier finance arrangements”.

The Group decided against the early adoption of any of the above amendments as they would not have a material effect on these interim condensed consolidated financial statements.

3.4 Changes in the scope of consolidation

There were no changes in the scope of consolidation in the six-month period ended 30 June 2023.

The only change in the scope of consolidation in the six-month period ended 30 June 2022 was the incorporation of Powertecno Energía Mexicana, a 50%-investee of 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 2022, with the exception of changes in estimates to determine the provision for income tax (see Notes 3 and 8).

5. Financial risk management

5.1 Financial and environmental 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 and environmental 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 2022 (Note 3 of the consolidated financial statements for 2022).

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 11.d).

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 prices quoted included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

At 30 June 2023	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through other comprehensive income	-	264	-	264
Hedging derivatives	-	16,140	-	16,140
Total assets	**-**	**16,404**	**-**	**16,404**
Liabilities				
Hedging derivatives	-	6,631	-	6,631
Total liabilities	**-**	**6,631**	**-**	**6,631**

At 31 December 2022	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through other comprehensive income	-	264	-	264
Hedging derivatives	-	38,697	-	38,697
Total assets	**-**	**38,961**	**-**	**38,961**
Liabilities				
Hedging derivatives	-	22,277	-	22,277
Total liabilities	**-**	**22,277**	**-**	**22,277**

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 liabilities either in the first half of 2023 or in the first half of 2022.

No financial assets were reclassified or transferred between levels in the first half of 2023 or in the first half of 2022.

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:

i) Refining
ii) Natural gas
iii) Petrochemical
iv) Low-carbon technologies
v) Other

Although the Group's core business is providing engineering and construction services, the above segment reporting format is presented with the understanding that the risks and rewards that may arise from its business activities and the specialisation required to complete projects in these segments, among other differentiating factors, make this segment distinction necessary to provide an optimal understanding of the business structure.

The various segments can be summarised as follows:

Refining: This line provides management, engineering, procurement, construction and commissioning services for facilities along the entire value chain for the production of fuels that meet the highest standards (Euro V / Euro VI). These facilities convert waste flows into high-quality fuels, optimising the use of natural resources.

The Group also has extensive experience in designing and constructing the most advanced technologies for refining production processes. Técnicas Reunidas also offers its clients the possibility of modernising existing plants with the aim of improving their efficiency and making progress in the sustainability actions and commitments that they have decided to implement.

The Hassi Messaud project has not yet been launched and the client, Sonatrach, and the contractor, JV Técnicas Reunidas and Samsung, are analysing the path forward for relaunching the project or other possible alternatives.

Natural Gas: This line provides direction, management, engineering, procurement, construction and commissioning services for facilities throughout the supply chain, from natural gas production to regasification terminals, as natural gas is a key fuel for advancing toward its decarbonisation objectives. In this regard, the Group has designed and built all types of facilities, from production facilities in natural gas fields, to treatment and processing plants, compressor stations, liquefaction, storage tanks and final regasification facilities.

Petrochemical: This area provides direction, management, engineering, procurement, construction and commissioning services for facilities dedicated to the production of basic chemical materials used in water distribution, pharmaceuticals, health, food, energy efficiency in buildings and transport systems, among others.

The refining production plants are being integrated with petrochemical operations, supplying both markets in an efficient and flexible manner and optimising the consumption of natural resources.

Low-carbon technologies: This segment comprises the following lines of activity:

(i) Hydrogen

Through this business line, the Group is actively involved in offering solutions for different types of hydrogen, helping its customers to integrate this element into their production processes with storage solutions or by blending it with existing gas networks.

(ii) Carbon capture and storage

The Carbon Capture and Storage ('CCS') line helps energy-intensive industrial companies, such as the steel, chemical, cement and paper industries, to reduce carbon emissions from their assets. High-intensity industrial facilities are complex, with space and operational constraints that make it difficult to include new processes. Faced with these challenges, the Group accelerates its customers' energy transition to a zero-emission future by implementing carbon capture technologies in their industrial processes. Once captured, the carbon dioxide is permanently stored or is subsequently converted into synthetic fuels.

(iii) Circular Economy and Bioproducts

Within this line of activity, the Group provides services to produce biomethane and convert biomass and waste into fuels (biodiesel and biokerosene), chemicals and power and steam generation.

Others: This segment provides direction, management, engineering, procurement, construction and commissioning services for facilities related to activities outside the Group's business lines. The main activities are water treatment, construction of port infrastructures and oil production. Also included in this segment are projects not completed as a result of customer termination of the contract, through the enforcement of guarantees. The purpose of this inclusion is to avoid distorting the analysis of the remaining segments.

The overhead expenses related to the head office and the functional departments that do not generate revenue or that may generate revenues that are only incidental to the Group's activities and that, in either case, cannot be allocated to any operating segment or included as part of an operating segment, as referred to in IFRS 8.6, are classified as 'Unallocated'.

The operating segment analysis is based on an assessment of the profit/loss from segment operations, adjusted for unallocated Group overheads. In addition, the Group manages financing activities and the effect of income tax. Therefore, finance income, finance costs and income tax, as well as financial debt and taxes payable, have not been allocated by segment. In addition, non-current assets and the related depreciation, amortisation or impairment are not allocated as they are not considered material.

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 2023 and 2022 is as follows:

	Six-month period ended 30 June 2023						
	Refining	Natural gas	Petrochemical	Low-carbon technologies	Other	Unassigned	Total
Revenue	**521,296**	**1,205,813**	**305,134**	**10,819**	**128,517**	**-**	**2,171,579**
Profit/(Loss) from operations	3,541	96,671	47,455	(881)	(19,448)	(49,996)	77,342
Net financial loss	-	-	-	-	-	(17,294)	(17,294)
Share in profit/(loss) of associates	-	-	-	-	-	(233)	(233)
Profit/(Loss) before tax	**3,541**	**96,671**	**47,455**	**(881)**	**(19,448)**	**(67,523)**	**59,815**
Income tax	-	-	-	-	**-**	(21,297)	**(21,297)**
Profit/(Loss) for the period	**3,541**	**96,671**	**47,455**	**(881)**	**(19,448)**	**(88,820)**	**38,518**

	Six-month period ended 30 June 2022						
	Refining	Natural gas	Petrochemical	Low-carbon technologies	Other	Unallocated	Total
Revenue	**505,619**	**684,116**	**349,863**	**656**	**113,938**	**-**	**1,654,192**
Profit/(Loss) from operations	(29,078)	50,307	11,551	(1,359)	(40,777)	(47,053)	(56,409)
Net financial loss	-	-	-	-	-	(11,664)	(11,664)
Share in profit/(loss) of associates	-	-	-	-	-	(93)	(93)
Profit/(Loss) before tax	**(29,078)**	**50,307**	**11,551**	**(1,359)**	**(40,777)**	**(58,810)**	**(68,166)**
Income tax	-	-	-	-	**-**	264	**264**
Profit/(Loss) for the period	**(29,078)**	**50,307**	**11,551**	**(1,359)**	**(40,777)**	**(58,546)**	**(67,902)**

Revenue by geographical area for the six-month periods ended on 30 June 2023 and 2022 are as follows:

	Six-month period ended 30 June	
	2023	2022
Spain	37,495	61,560
Middle East	1,180,208	987,198
Americas	366,393	153,586
Asia	232,913	58,125
Europe	309,241	155,320
Mediterranean	45,329	238,403
Total	**2,171,579**	**1,654,192**

Income from the Middle East relates mainly to operations in Saudi Arabia, the United Arab Emirates, Kuwait, Bahrain, Qatar, Azerbaijan and Oman; in the Americas, it relates primarily to operations in Peru, Mexico, Colombia, Canada and Chile; in Asia it relates to operations in Malaysia, Thailand, India, Kazakhstan and Singapore; in Europe, it relates to operations primarily in Poland and Belgium; and in the Mediterranean it relates to basically to operations in Turkey, among other countries.

With respect to assets and liabilities by segment, during the six-month periods of 2023 and 2022, there have been no changes in the allocation of assets and liabilities compared to December 2022 and 2021, most of which correspond to the Refining and Natural Gas segments (Note 5 to the Consolidated Financial Statements of December 31, 2022).

8. Income tax

Tax expense/income is recognised according to management’s estimate based on the results obtained in the first half of the year.

9.Property, plant and equipment and other intangible assets

The changes in the first six months of 2023 and 2022 are as follows:

	Thousands of euros	
	Intangible assets	**Property, plant and equipment**
Cost		
Balances at 1 January 2023	**78,458**	**57,774**
Additions	38	9,633
Disposals and other reductions	(123)	(2,203)
Translation differences	(17)	(60)
Balances at 30 June 2023	**78,356**	**65,144**
Accumulated depreciation and amortisation		
Balances at 1 January 2023	**31,478**	**48,235**
Disposals and other reductions	(106)	(1,955)
Charge for the year	866	1,578
Translation differences	(12)	(314)
Balances at 30 June 2023	**32,226**	**47,544**
Net assets		
Balances at 1 January 2023	**46,980**	**9,539**
Balances at 30 June 2023	**46,130**	**17,600**

	Thousands of euros	
	Intangible assets	**Property, plant and equipment**
Cost		
Balances at 1 January 2022	**79,401**	**77,861**
Additions	132	1,347
Disposals and other reductions	(6)	(647)
Translation differences	(78)	3,190
Balances at 30 June 2022	**79,449**	**81,751**
Accumulated depreciation and amortisation		
Balances at 1 January 2022	**30,652**	**54,007**
Disposals and other reductions	(6)	(647)
Charge for the year	920	2,729
Translation differences	22	2,905
Balances at 30 June 2022	**31,588**	**58,994**
Net assets		
Balances at 1 January 2022	**48,749**	**23,854**
Balances at 30 June 2022	**47,861**	**22,757**

Additions to Property, plant and equipment at 30 June 2023 relate mainly to the facilities acquired and intended to be leased to third parties.

At 30 June 2023 and 31 December 2022, the Group did not have any significant commitments to purchase non-current assets.

10. Rights of use on leased assets

The changes in the first six months of 2023 and 2022 are as follows:

	Thousands of euros			
	Offices	Housing	Vehicles	Total
Cost				
Balances at 1 January 2023	**91,505**	**21,133**	**19,069**	**131,707**
New Contracts	4,354	1,528	1,033	6,915
Disposals	(38,022)	(14,748)	(10,312)	(63,082)
Reclassifications	-	(210)	210	-
Conversion differences	(894)	(461)	(257)	(1,612)
Balances at 30 June 2023	**56,943**	**7,242**	**9,743**	**73,928**
Amortisation charge				
Balances at 1 January 2023	**47,687**	**14,375**	**18,335**	**80,397**
Charge for the year	7,038	1,889	1,573	10,500
Disposals	(38,022)	(14,748)	(10,312)	(63,082)
Reclassification	-	2,164	(2,164)	-
Conversion differences	(232)	(283)	(3)	(518)
Balances at 30 June 2023	**16,471**	**3,397**	**7,429**	**27,297**
Net balances at 1 January 2023	**43,818**	**6,758**	**734**	**51,310**
Net balances at 30 June 2023	**40,472**	**3,845**	**2,314**	**46,631**

	Thousands of euros			
	Offices	Housing	Vehicles	Total
Cost				
Balances at 1 January 2022	**70,537**	**14,958**	**14,749**	**100,244**
New Contracts	4,175	1,896	3,221	9,292
Changes due to amendments to existing contracts	9,183	-	-	9,183
Conversion differences	80	1,795	698	2,573
Balances at 30 June 2022	**83,975**	**18,649**	**18,668**	**121,292**
Amortisation charge				
Balances at 1 January 2022	**33,941**	**11,827**	**13,990**	**59,758**
Charge for the year	6,654	1,763	501	8,918
Conversion Differences	294	1,151	985	2,430
Balances at 30 June 2022	**40,889**	**14,741**	**15,476**	**71,106**
Net balances at 1 January 2022	**3,596**	**3,131**	**759**	**40,486**
Net balances at 30 June 2022	**43,086**	**3,908**	**3,192**	**50,186**

The disposals for the six-month period ended 30 June 2023 relate to fully completed and amortised leases.

The amounts paid in respect of rights of use on leased assets at 30 June 2023 amount to EUR 9,981 thousand (31 December 2022: EUR 20,031 thousand).

At 30 June 2023, the borrowings associated with the rights of use of leased assets amounted to EUR 48,442 thousand (EUR 52,401 thousand at 31 December 2022) and the interest charged to the income statement amounted to EUR 718 thousand (EUR 900 thousand at 31 December 2022).

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 2023 and 31 December 2022 is as follows:

	Thousands of euros		
	At 30 June 2023		
Financial assets:	**Financial assets through other comprehensive income**	**Amortised cost**	**Hedging derivatives**
Nature / Category			
Derivatives	-	-	154
Accounts receivable and other financial assets	264	91,559	-
Long-term/non-current	**264**	**91,559**	**154**
Derivatives	-	-	15,986
Trade and other receivables	-	3,119,334	-
Accounts receivable and other financial assets	-	7,370	-
Short-term/current	**-**	**3,126,704**	**15,986**
Total financial assets	**264**	**3,218,263**	**16,140**

	Thousands of euros		
	At 31 December 2022		
Financial assets:	**Financial assets through other comprehensive income**	**Amortised cost**	**Hedging derivatives**
Nature / Category			
Derivatives	-	-	1,237
Accounts receivable and other financial assets	264	95,164	-
Long-term/non-current	**264**	**95,164**	**1,237**
Derivatives	-	-	37,460
Trade and other receivables		3,174,557	-
Accounts receivable and other financial assets	-	21,493	-
Short-term/current	**-**	**3,196,050**	**37,460**
Total financial assets	**264**	**3,291,214**	**38,697**

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 2023 and 2022 in the balance of provisions for impairment of the assets included under "Trade and other receivables" are shown below:

	Thousands of euros					
	At 30 June 2023			At 30 June 2022		
	Customers	OEPC	Total	Customers	OEPC	Total
Beginning balance	**31,942**	**14,929**	**46,871**	**32,393**	**6,252**	**38,645**
Impairment losses charged to income	2,916	2,480	5,396	(381)	7,500	7,119
Ending balance	**34,858**	**17,409**	**52,267**	**32,012**	**13,752**	**45,764**

The impairment allowance recognised in the first half of 2023 relates to customer balances and work executed on which certification has been pending for more than one year that are considered unlikely to be recovered.

The remaining financial assets were not impaired in the first half of 2023 and 2022.

a.2) - Trade and other receivables

This heading includes EUR 2,456,791 thousand (31 December 2022: EUR 2,590,176 thousand) for work executed on which certification is pending, which is calculated using the criteria set out in Note 2.21 to the consolidated financial statements for the year ended 31 December 2022.

In relation to work performed but not yet billed, EUR 454,321 thousand in claims and change orders were recognised at 30 June 2023. At 31 December 2022, these claims and change orders amounted to EUR 589,075 thousand. At the date of authorisation for issue of these consolidated interim financial statements, the amount of claims and change orders remains unchanged.

At 30 June 2023 and 31 December 2022, the total amount requested in claims amounted to EUR 930,239 thousand and EUR 1,584,534 thousand, respectively. The breakdown, by geographical area, of the amounts recognised at 30 June 2023 (31 December 2022) is as follows:

- Middle East: 70.3% (50.2%)
- Americas: 1.1% (0.7%)
- Mediterranean, Europe and other: 28.6% (49.1%)

At 30 June 2023 and 31 December 2022, the total amount requested in change orders amounted to EUR 572,882 thousand and EUR 421,812 thousand, respectively.

b) Financial liabilities

The detail, by nature and measurement category, of the financial liabilities at 30 June 2023 and 31 December 2022 is as follows:

Financial liabilities	At 30 June 2023 Accounts payable	At 30 June 2023 Hedging derivatives	At 31 December 2022 Accounts payable	At 31 December 2022 Hedging derivatives
Nature / Category				
Participative loans	175,000	-	175,000	-
Borrowings	450,282	-	600,209	-
Borrowings associated with rights of use of leased assets	29,479	-	35,122	-
Other accounts payable	252		255	
Non-current payables/Non-current financial liabilities	**655,013**	**-**	**810,585**	**-**
Borrowings	301,071	-	201,922	-
Borrowings associated with rights of use of leased assets	18,963	-	17,279	-
Derivatives	-	6,631	-	22,277
Trade payables	3,316,334	-	3,487,476	-
Other accounts payable	14,472	-	18,763	-
Current payables/Current financial liabilities	**3,650,840**	**6,631**	**3,725,440**	**22,277**
Total financial liabilities	**4,305,853**	**6,631**	**4,536,026**	**22,277**

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

c) Hedging financial derivatives

Note 2.22 to the Group’s consolidated financial statements for the year ended 31 December 2022 details the criteria used by the Group for hedging activities. There have been no changes in these criteria during the first half of 2023.

The changes in current and non-current derivative financial instruments in the first half of 2023 relate 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 2023 and 2022, there were no significant inefficiencies due to foreign currency hedges.

d) Borrowed funds

The details of the borrowed funds at 30 June 2023 and at 31 December 2022 are as follows:

	Thousands of euros	
	At 30 June 2023	**At 31 December 2022**
Non-current		
Participative loans	175,000	175,000
Other non-current liabilities		
Loans/credit facilities	385,520	534,614
Mortgage loan	8,970	9,850
Obligations	49,456	49,335
Others	6,336	6,410
	450,282	**600,209**
Total non-current financial debt	**625,282**	**775,209**
Current		
Loans/credit facilities	229,367	150,094
Mortgage loan	1,806	1,806
Promissory notes	60,908	41,517
Interest on debt	8,186	7,495
Others	804	1,010
Total current financial debt	**301,071**	**201,922**
Total participative loans	**175,000**	**175,000**
Total loans/credits	**614,887**	**684,708**
Total mortgage loans	**10,776**	**11,656**
Total debentures and promissory notes	**110,364**	**90,852**
Total debt interest	**8,186**	**7,495**
Total Others	**7,140**	**7,420**
	926,353	**977,131**

The changes in borrowed funds during the six-month periods ended at 30 June 2023 and 2022 were as follows:

	Thousands of euros	
	2023	**2022**
Beginning balance	**977,131**	**742,885**
Participative loan	-	175,000
Ordinary FASEE Loan	-	165,000
Drawdowns	160,927	307,455
Repayments	(212,395)	(303,344)
Accrued interest	23,362	10,322
Interest paid	(22,672)	(7,257)
Ending balance	**926,353**	**1,090,061**

On 24 February 2022, the Group received the disbursement of EUR 340 million under the" Solvency Support Fund for Strategic Enterprises" ("FASEE").

This aid took the form of a participative loan amounting to EUR 175 million and an ordinary loan amounting to EUR 165 million. Both loans will have a term of four and a half years, with the possibility of early repayment. Except for this possibility of early repayment, the principal on the participative loan must be repaid upon maturity, while the ordinary loan has a grace period of 1 year and must then be repaid each year in percentages of 20%, 30%, 30% and a last tranche of 20% at maturity.

The participative loan accrues interest at an annual rate tied to IBOR+350 bp. This financing also includes a variable component linked to the Group's business performance and the achievement of pre-tax profits.

The terms of the financing received – which if breached may result in early maturity – include certain obligations regarding the use of the financing and compliance with the viability plan submitted, the adoption of digitalisation and sustainability measures and the strengthening of the Group's assets consistent with the viability plan and the policy set by the Group's Directors. In addition, among other terms, a change of control of the Group in 2023 would be a cause for early maturity. During the term of these loans, the Group has the obligation not to distribute dividends. The Group expects to comply with all its obligations.

Under the terms of the loan, the Parent (Técnicas Reunidas, S.A.) acts as applicant, borrower and beneficiary, and the company of the group Initec Plantas Industriales, S.A.U. acts as beneficiary and guarantor of the financing agreements. Both companies are jointly and severally liable for both loans.

At 30 June 2023, the syndicated lines amounted to EUR 252,147 thousand. The financing requires a consolidated net financial debt/EBITDA ratio less than or equal to 2.5. In addition, these two agreements contain a limitation on distributing profits for the years 2021-2024: 30% of consolidated net profit for the years 2021/2022, 40% of consolidated net profit for 2023 and 50% of consolidated net profit for 2024.

On the other hand, the balance at 30 June 2023 of the MARF short-term promissory note programme amounted to EUR 53,400 thousand (31 December 2022: EUR 34,300 thousand). The average interest rate is 5.47% (2022: 3.85%).

The balance at 30 June 2023 of MARF bonds amounted to EUR 49,800 thousand (31 December 2022: EUR 49,800 thousand). The bonds issued in the MARF have an interest rate of 2.75% and mature in December 2024.

From the end of the year to the date of authorisation for issue of these consolidated interim statements, no bilateral loans were increased. In this period, a new ICO loan was signed for EUR 3,000 thousand.

The long-term private debt placement agreements and the German promissory note financing in force at 30 June 2023 require that the consolidated net financial debt/EBITDA ratio be less than or equal to 3.

At 30 June 2023, of the total financial debt, EUR 460,261 thousand, was at a fixed rate (31 December 2022: EUR 462,120 thousand), as detailed below:

	Thousands of euros			
	30/06/2023		31/12/2022	
Item	**Amount**	**Rate**	**Amount**	**Rate**
MARF promissory notes	53,400	5%-6%	34,300	3.10%-4.50%
Fixed-rate loans	65,934	1.29%-5%	73,496	1.29%-5%
Syndicated ICO loan	70,127	2.45%	83,524	2.45%
MARF bonds	49,800	2.75%	49,800	2.75%
Private placement	56,000	3.25%	56,000	3.25%
Ordinary Sepi	165,000	2%	165,000	2%
	460,261		**462,120**	

The average variable interest applicable to the rest of the debt has been as follows:

	2023	**2022**
	EUR	EUR
Variable rates	2.07%	2.19%

The Group's undrawn credit facilities are as follows:

	Thousands of euros	
Floating rate:	**30 June 2023**	**31 December 2022**
- maturing within one year	35	2,588
- maturing in more than one year	18,071	12,988
	18,106	**15,576**

At the date of authorisation for issue of these interim financial statements, the Group is in compliance with its financial ratio obligations (net financial debt / consolidated EBITDA less than or equal to 2.5/3) relative to the two syndicated credit facilities, the MARF bonds, the private placement and the German promissory notes, and the Group considers that it will continue to be in compliance in 2023.

12. Equity

Share capital

On 5 May 2023, the capital increase carried out by the Parent was registered at the Commercial Registry. This increase consisted of issuing 24,405,265 new shares with a par value of EUR 0.10 each plus a share premium of EUR 6.05 per share.

A 30 June 2023, following the capital increase, the authorised number of ordinary shares totalled 80,301,265 (55,896,000 at 31 December 2022), with a par value of EUR 0.10 each. All of the shares issued are fully paid and carry the same voting and dividend rights.

The treasury stock at 30 June 2023 represents 2.78% of the Parent's share capital (3.96% at 31 December 2022) and totals 2,231,101 shares (2,213,972 shares at 31 December 2022).

The shareholders at the Parent's Annual General Meeting held on 25 June 2020 agreed to authorise the Board of Directors, for a period of five years, 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 the transactions. The agreement was signed for a term of one year, and was renewed on 10 July 2017 in accordance with CNMV Circular 1/2017, of 26 April, and was automatically extended for additional years starting on 10 July 2019. A total of 74,500 shares were allocated to the securities account associated with the agreement and EUR 2,537 thousand share 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 2023 or 2022.

Losses/Earnings per share

Basic 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 earnings per share for the six-month periods ended on 30 June 2023 and 2022 are as follows:

	2023 (6 months)	2022 (6 months)
Profit for the period attributable to ordinary equity holders of the entity (thousands of euros)	40,504	(68,824)
Weighted average number of ordinary shares outstanding	61,071,197	53,691,220
Earnings per share of the profit attributable to ordinary equity holders of the entity (EUR per share)	0.66	(1.28)

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

13. Provisions for contingencies and charges

Note 21 to the Group's consolidated financial statements for the year ended 31 December 2022 details the criteria used by the Group for establishing these provisions. There have been no changes in these criteria during the first half of 2023. The changes in non-current provisions during the six-month periods ended 30 June 2023 and 30 June 2022 are shown below:

a) Provisions for contingencies and charges - Non-current

	Thousands of euros			
	Six-month period ended 30 June 2023			
DESCRIPTION	**Provision for estimated project loss**	**Provision for infrastructure**	**Other provisions**	**Total provisions for contingencies and charges**
Balance at 01/01/2023	**3,362**	**4,000**	**74,692**	**82,054**
Reversals/amounts used	-	-	-	-
Reclassifications	-	-	-	-
Period provisions	-	-	-	-
Balance at 30/06/2023	**3,362**	**4,000**	**74,692**	**82,054**
	Six-month period ended 30 June 2022			
DESCRIPTION	**Provision for estimated project loss**	**Provision for infrastructure**	**Other provisions**	**Total provisions for contingencies and charges**
Balance at 01/01/2022	**3,362**	**4,000**	**62,933**	**70,295**
Reversals/amounts used	-	-	(24,700)	(24,700)
Reclassifications	-	-	(39,791)	(39,791)
Period provisions	-	-	88,250	88,250
Balance at 30/06/2022	**3,362**	**4,000**	**86,692**	**94,054**

Provision for estimated project loss

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

Provision for infrastructure

For completed projects, 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 relating to litigation, arbitration and claims with customers and subcontractors (see Note 2.3).

The change in the six-month period ended 30 June 2022 was due to the application of the provision made for the arbitration of the Australia project that was resolved in the first half of 2022, the short-term reclassification of the provision made relating to arbitration proceedings in Peru, and the allocation of the provision for management's best estimate of risks for existing litigation and claims. In addition, in the first half of 2022 the Group made provisions for approximately EUR 75 million due to the strained situation in Algeria.

In the first half of 2023, the processes described in Note 21 to the consolidated financial statements at 31 December 2022 were still under way. As no additional risks arose, management did not consider it necessary to increase the provisions allocated.

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 2023	**30 June 2022**
Beginning balance	**1,282**	**30,709**
Reversals/amounts used	(682)	(28,497)
Reclassifications	-	39,791
Period provisions	-	-
Ending balance	**600**	**42,003**

Changes in the first half of the year are due to the application of the provision relating to the Sines litigation, which was called in, in the second half of 2022, and the reclassification to short term of the provision made for arbitration proceedings in Peru.

14. Related party transactions

Related party transactions, which are part of the Group's ordinary business, during the first six months of 2023 and 2022 are as follows:

- Transactions with shareholders of the Parent

During the first six months of 2023 and 2022, 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 2023 and 30 June 2022, except as detailed in Note 15.

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

- Transactions with associates

These refer to transactions carried out with the associates (Master de Ingeniería y Construcción, S.L.) for the portion not eliminated in the consolidation process. The detail of these transactions is as follows:

	Thousands of euros	
	First six months 2023	First six months 2022
Loans	2,751	7,070
Customers	347	347
Interests	-	66

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 2023 and 2022 are as follows:

	Thousands of euros	
	30 June 2023	30 June 2022
Remuneration concept		
Fixed remuneration	343	343
Attendance fees	957	1,066
Other services	153	150
Total:	**1,453**	**1,559**
Other benefits		
Life insurance premiums	2	2
Total other benefits:	**2**	**2**

The Group also has an annual payment commitment of EUR 306 thousand in 2023 and EUR 340 thousand in 2022 for third-party liability insurance to directors.

During the first six months of 2023 and 2022, no advances or pension plans were granted to Board members.

b) Remuneration of senior executives

Total remuneration paid to senior management for the six-month period ended 30 June 2023 amounts to EUR 4,995 thousand (30 June 2023: EUR 2,663 thousand). The year-on-year change is due mainly to the payment in the first half of 2023 of the deferred variable remuneration for 2019 to 2022.

During the first six months of 2023 and 2022, no advances or loans were granted to senior executives.

No other types of remuneration were accrued during the first six months of 2023 or 2022.

16. Average headcount

The detail, by category and gender, of the Group's average headcount for the first six months of 2023 and 2022 is as follows:

	Average headcount for the six-month period					
	2023			2022		
	Men	Women	Total	Men	Women	Total
Executive directors and senior executives	8	3	11	10	1	11
Graduates, line personnel and clerical staff	6,047	2,028	8,075	4,786	1,720	6,506
Non-graduates/Unqualified staff	75	3	78	141	15	156
Sales staff	23	25	48	26	9	35
	6,153	**2,059**	**8,212**	**4,963**	**1,745**	**6,708**

Subcontracted personnel included in the average headcount at 30 June 2023 was 571 workers (at 30 June 2022: 798 workerss).

The average number of persons with disabilities equal to or greater than 33% employed in the six months ended 30 June 2023 and 30 June 2022 by the companies included in the Group was 37 and 27, respectively.

17. Other information

- Contingencies and guarantees provided

Note 28 to the consolidated financial statements for the year ended 31 December 2022 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 EUR 4,067,827 thousand at 30 June 2023 (31 December 2022: EUR 4,414,833 thousand).

The total guarantees provided includes syndicated guarantee lines amounting to EUR 615,074 thousand (31 December 2023: EUR 660,843 thousand), of which EUR 484,418 thousand is subject to certain covenants, compliance with which is not required until the end of 2023. In any case, the above covenant was fulfilled at the date of authorisation for issue of these interim financial statements.

Group management considers that the provisions recognised in these interim financial statements at 30 June 2023 reasonably cover the risks of litigation, arbitration and claims. The Group is party to certain judicial and arbitration disputes, framed in the closure process of the projects, with customers and suppliers. Based on the opinion of the Group's legal advisers and the Company, formulated based on available information, the Parent believes that, except for the disputes for which the provision corresponding to the best forecast made on the impact that its resolution could have has been recognised, their outcome will not significantly influence the Group's equity position.

In relation to the tax audits mentioned in Note 26 to the consolidated financial statements for the year ended on 31 December 2022, guarantees have been presented before the tax authorities in an amount of EUR 157,900 thousand. (EUR 130,400 thousand as instalment and EUR 27,500 thousand in default interest).

18. Events after the reporting date

From the reporting date of the six-month interim period ended 30 June 2023 to the date of authorisation for issue of these interim financial statements, no significant events have taken place that were not mentioned in the explanatory notes to the financial statements.

INTERIM CONSOLIDATED DIRECTORS' REPORT
FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2023

1. Business performance

The macroeconomic environment

The tentative signs at the beginning of 2023 that the global economy might achieve a soft landing with declining inflation and strong growth have dissipated, amid persistently high inflation and the recent headwinds in the financial sector. Although inflation has subsided as central banks have raised interest rates and energy and food prices have fallen, underlying price pressures are proving stubborn in the face of labour shortages in several countries. As the vulnerabilities in the banking sector have come to the fore and fears of contagion in the broader financial system, including non-bank financial institutions, have increased, the collateral effects of rapidly rising monetary policy rates have become evident.

At the same time, other important forces that affected the global economy in 2022 appear to be continuing this year, but with different intensities. Debt levels remain high, limiting fiscal authorities' ability to tackle new challenges. Commodity prices, which rose sharply after Russia's invasion of Ukraine, have eased, but the war continues, and geopolitical tensions are running high. Infectious variants of COVID-19 led to widespread outbreaks last year, but the hardest hit economies — especially China — seem to be slowly recovering, with which supply chain problems are partially subsiding. Despite the stimulus from lower food and energy prices and the improved functioning of the supply chain, risks remain due to heightened uncertainty following the recent turmoil in the financial sector.

According to the IMF's baseline forecast, which assumes that the recent tensions in the financial sector have been contained, growth will drop from 3.4% in 2022 to 2.8% in 2023, before edging up and stabilising at 3.0% in five years; this is the lowest medium-term forecast in decades. Advanced economies are expected to experience a particularly steep slowdown, from 2.7% in 2022 to 1.3% in 2023. In most cases, inflation is unlikely to return to pre-pandemic levels.

In short, the risks to the outlook are heavily skewed towards a worsening of the situation, and the likelihood of a hard landing has increased significantly. Financial sector stress could be amplified and contagion could spread, weakening the real economy as financing conditions deteriorate sharply and forcing central banks to reconsider their policies going forward. In the context of higher borrowing costs and lower growth, the sources of sovereign debt overhang may grow and become more systemic. The war in Ukraine could intensify and lead to more food and energy price hikes, with the consequent rise in inflation. Underlying inflation could turn out to be more entrenched than expected, requiring an even tighter monetary stance.

Energy sector

Demand in the energy sector has largely rebounded to pre-pandemic levels. Demand for liquid fuels reached 99.4 million barrels per day in 2022 (94.2 million barrels in 2021), and is expected to remain robust in 2023, with an average demand of 101.5 million barrels per day (Source: U.S. Energy Information Administration).

Global natural gas consumption is expected to increase compared with 2022. Natural gas will continue to play a major role in the decarbonisation of energy, replacing more polluting fossil fuels. Consumption is expected to grow at an annualised rate of 10% from 2022 to 2040, according to McKinsey Energy 2022. The inclusion of natural gas in the energy sources covered by the European Union taxonomy was recently approved.

Energy commodity prices have also risen in recent years. Oil rose from USD 50 per barrel at the end of 2020 to USD 116 at the end of June 2022, with an average per barrel price of USD 80 in 2023. As regards natural gas, the Henry Hub price closed June 2022 at USD 6.5 per MBtu, compared with USD 3.8 per MBtu at the end of 2021 and around USD 2.8 per MBtu at the end of June 2023. Leading analysts and institutions that track energy commodities foresee a sustained scenario of high prices of energy and energy derivatives, with periods of volatility as a result of the war in Ukraine and other economic uncertainties.

The scenario arising from the conflict in Ukraine is making it necessary for Europe to take important decisions regarding diversifying its energy, oil and natural gas supply. These decisions are expected to translate into additional investments to meet European energy demand and replace supplies from Russia, as will be discussed in the section on project awards. Before the disruption caused by the conflict in Ukraine, major companies in the sector – both private and national – were betting on a strong investment cycle arising as a result of the lack of investment since the mid-2010s and boosted by a scenario of high crude and natural gas prices.

These three factors (geopolitical outlook, lack of recent investment and high price scenario) presage significant investment activity in the energy industry in coming years, even amid slower economic growth.

Técnicas Reunidas Group

This overall economic environment and the energy industry in particular have opened up a flood of business opportunities that the Company expects will soon translate into new projects. Awards to date amount to approximately EUR 1,800 million, with projects diversified in terms of products and geographies. In these awards, Técnicas Reunidas has significantly reduced the risk associated with construction.

In terms of transactions, COVID has had a diminishing impact as evidenced by its sales in the six-month period. The Company's quarterly invoicing has stabilised at above EUR 1,000 million over the last four quarters. In other words, projects are now progressing at a pre-pandemic pace of execution.

Main financial figures

In the first half of 2023, sales were up 31% year-on-year, from EUR 1,654 million to EUR 2,171 million. Operating income stood at EUR 77.3 million and net income at EUR 38.5 million. The normalisation of project execution once the pandemic had passed and the initial uncertainties of the war in Ukraine explain the jump in sales in the first half of 2023 compared with 2022.

In the first half of 2023, the Company ended with a net cash position of EUR 241 million, including the net effect of the capital increase paid on 4 May 2023. The Company used part of the funds from the capital increase to reduce its financial indebtedness, and the average variable interest rate applicable to the debt was 2.07% in 2023 compared with 2.19% in 2022. The backlog at 30 June 2023 amounted to EUR 9,228 million.

Capital increase, April-May 2023

On 10 April, the Company reported the issuance of a capital increase of up to 50% of share capital with pre-emption rights. The transaction consisted of the issuance of 24,405,265 new shares, equivalent to 43.7% of its current share capital. Registered shareholders would receive one pre-emption right for each share they held. The increase aimed to strengthen the Company's financial position so as to ensure its leadership ahead of an investment supercycle in connection with energy and decarbonisation.

On 11 April, the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores* – CNMV) approved the prospectus relating to the capital increase through monetary contributions, with the recognition of the Company's shareholders' pre-emption right, and entered it into its official records. The capital increase was intended for the Company's shareholders who acquired their shares up until 12 April 2023 (the day on which the announcement of the capital increase was published in the Official Journal of the Mercantile Registry) and who appeared as shareholders in Iberclear's records at 23:59 on 14 April 2023 (the second stock exchange business day following the publication of the announcement in the Official Journal of the Mercantile Registry), both inclusive. The pre-emption period lasted fourteen calendar days starting 13 April 2023. The pre-emption rights would be negotiable on the stock exchanges through the Stock Exchange Interconnection System and may be transferred and exercised in accordance with the conditions and restrictions set out in the prospectus. The pre-emption rights would be negotiated during the sessions of the pre-emption period.

On 3 May, it was reported that all of the 24,405,265 new shares had been subscribed for a total effective amount of EUR 150,092,379.75, as detailed below. During the pre-emption period ended on 26 April, a total of 23,854,420 new shares, i.e. 97.74% of the total, were subscribed, with 550.845 new shares available to be awarded in subsequent periods. During the additional award period, a total of 1,244,160,758 additional new shares of the Company were subscribed, prorated as envisaged in the prospectus. On 4 May 2023, the public deed of capital increase through monetary contributions, with the recognition of the pre-emption right, was issued. Therefore, the Company's share capital was valued at EUR 8,030,126.5, divided into 80,301,265 shares with a par value of EUR 0.10 each and belonging to a single class and series. The Spanish National Securities Market Commission verified the admission to trading of the 24,405,265 new shares issued, and they have been listed on the stock markets since 8 May 2023.

Favourable judgments in 2023 for Técnicas Reunidas and other tax matters:

In 2023, the Spanish National Court [*Audiencia Nacional*] ruled in favour of Técnicas Reunidas in relation to the corporation tax settlements for 2008 to 2011. The National Court's ruling recognised that Técnicas Reunidas' application of the exemption under section 50(1) of the Consolidated Text of the Spanish Corporate Income Tax Act [*Ley del Impuesto sobre Sociedades*] in respect of the earnings of 11 joint ventures through which it operated abroad and of the earnings of Técnicas Reunidas S.A. was in accordance with the law. To date, the National Court has served notice of all of the judgments in relation to these tax assessments. These judgments have no impact on the Group's income statement. The National Court's rulings are not final since they the Government Legal Service has file an appeal in cassation with the Supreme Court. Both Técnicas Reunidas and the joint ventures have appeared at the appeal proceedings, objecting to the admission for processing of the appeal, and they are currently awaiting a ruling from the Supreme Court.

In addition, in order to minimise future disputes, Técnicas Reunidas signed a Prior Valuation Agreement with the Spanish Tax Agency in 2022, which defines the tax model of the tax group in Spain according to tax base erosion and profit shifting (BEPS) criteria from 2015 onwards.

All years prior to 2015 have already been inspected.

Main projects awarded to Técnicas Reunidas

In the first half of 2023, projects were awarded in the amount of EUR 1,800 million. The main projects relating to this amount were an engineering contract – a front-end engineering design/open book estimation (FEED-OBE) contract – to develop the largest ammonia production plant in Kazakhstan and construct a liquefied gas regasification terminal for a consortium made up by Técnicas Reunidas, FCC and Entrade GMBH (a wholly owned subsidiary of the Turkish company ENKA).

Técnicas Reunidas has obtained a contract to carry out the engineering work for an ammonia, urea, nitric acid and ammonium nitrate production complex owned by Kazazot, Kazakhstan's leading fertiliser company. With a total planned investment of approximately EUR 1,200 million, the plant will be located in Aktau, the capital of the south-western province of Mangystau. Técnicas Reunidas will initially perform the engineering work for the facility under the FEED-OBE-type contract, the execution of which will require some 200,000 hours of work. The Company will perform these activities at its Madrid headquarters, and they are expected to be completed this year. Once this work have been completed and the respective financing has been obtained, Técnicas Reunidas will carry out the complete execution of the project and the engineering work, procure equipment and materials and build the plant under an engineering, procurement and construction (EPC) contract. The Company has long-standing experience converting FEED-OBE contracts to EPC contracts. The termination of the initial FEED-OBE contract, for EUR 16.75 million, will be followed by an EPC contract for the total construction of the facility, for approximately EUR 1,200 million, as indicated above. This world-scale plant will have an annual production capacity of 660,000 tons of ammonia, 577,500 tons of urea, 395,000 tons of nitric acid and 500,000 tons of ammonium nitrate, making it Kazakhstan's largest combined fertiliser production facility. The plant designed by Técnicas Reunidas will be a point of reference in its sector in terms of its environmental impact as it will be fully integrated with currently existing facilities at the site, thus optimising natural resource use and significantly increasing efficiency compared with similar plants. The project is fully aligned with Técnicas Reunidas's strategy and its commitment to Kazakhstan, which is a strategic market for it.

The German contract is an EPC contract to build a new liquefied gas storage and regasification terminal at the inland port of Stade, which is part of the metropolitan region of Hamburg. The land on which the facility will be built belongs to the leading chemical company Dow Chemicals, which is participating in the project as one of the development partners. As the terminal will use the industrial waste heat from Dow, it may regasify gases without producing additional CO_2 emissions. The new terminal will have a nominal capacity of a 13.3 Bm3 per year and require a total investment of close to EUR 1,000 million. Approximately EUR 500 million of this amount will correspond to the scope of Técnicas Reunidas and the remaining EUR 500 million to FCC and Entrade GMBH. The project has been divided into two phases. The first, which includes the preliminary work and engineering, will take five months to complete. The second, which constitutes the main contract, is subject to Hanseatic Energy Hub's final investment decision, which is expected to be announced in the autumn. Técnicas Reunidas will design the regasification terminal and the two storage tanks, each with a capacity of 240,000 cubic meters, and will supply all of the equipment and materials for the project. This project dovetails with Técnicas Reunidas's long experience and know-how in designing and developing this type of plants, which are intended to optimise the performance of the assets and minimise environmental impact.

Energy transition

Since 2021, Técnicas Reunidas has staked a position in carrying out low-emission technologies projects: green and blue hydrogen (and their derivatives, ammonia and methanol), biofuels and biochemicals and carbon capture. Técnicas Reunidas's supply of products covers 52% of the demand expected in 2050 to bring about the emissions reduction required to achieve the International Energy Agency's zero-emissions scenario, and 86% of the emissions of large carbon-emitting companies.

As a result of its e to execute projects with these technologies, Técnicas Reunidas has supported its customers in defining and implementing their investments. This includes executing engineering services for green ammonia and green fertiliser projects in the United States; assessing carbon capture technologies for a large energy operator in Canada; and executing a FEED for a biomethanol project in Amsterdam. In Spain, projects include those being implemented to produce biofuels and electrify power and chemical plants.

To increase its presence in the new decarbonised economy, Técnicas Reunidas launched a differentiated strategy ("track"), in late 2022, tended to make the most of the opportunities offered by the new decarbonisation and energy transition scenario. Track aims to accelerate Técnicas Reunidas's positioning in this new environment.

In addition to providing engineering services to define the low-emission technologies-based projects that the Company customarily carries out, it has launched other lines of work:

- Project development and structuring: this new service includes developing the investment opportunity in all of its facets – market studies, technical assessments, the search for financing, permit processing. Two such projects are currently under way in Spain:

  - A hydrogen and green ammonia production project in the south-east of the country. The ammonia will be used mainly to decarbonise maritime transport.

  - A second generation bioethanol production project using forest and agricultural waste in Aragón. This plant will also produce biomethane and biomethanol as by-products.

  To accelerate locating opportunities of this type, Técnicas Reunidas has established a team in the United States to take advantage of opportunities arising from implementing the Inflation Reduction Act. In Europe, the Company expects to close an agreement in coming weeks with a multilateral institution to co-develop low-emission technologies projects in Eastern European countries.

- Recurring services:

  - Outsourcing managing carbon captured in processes at large industrial plants.

  - Identifying, measuring and managing methane emissions.

- Technology development and scaling: The project helps investors and technology developers define the path forward for scaling low-emissions or circularity technologies in order to reach industrial scale.

Técnicas Reunidas's new strategy includes positioning itself in new industries that are large carbon emitters such as cement and steel. Together, these industries account for 15% of global emissions. Técnicas Reunidas is launching a commercial initiative to position itself in these industries in the medium and long term.

Research and development activities

Técnicas Reunidas maintains its strong commitment to the research, development and scaling of new technologies.

Its José Lladó Technology Centre has more than 70 employees, between graduates and PhDs in different fields, and carries out research and technology development projects. In addition, the centre provides technology development and scaling and technical assistance services, collaborates with the transfer of research findings among the various public research centres, technology centres and Técnicas Reunidas, and promotes and participates in developing cooperative research programmes among companies.

Técnicas Reunidas's R&D expenditures in 2022 surpassed EUR 6 million. In 2023, Técnicas Reunidas continued to work on the following national and European research and development technologies and projects:

Circular Economy

- HALOMET™ technology: Waste treatment technology to incinerate urban waste and recover zinc and other metals.
- SEA4VALUE Project: European project (HORIZON 2020) to develop valuable metal recovery technologies from brine produced in desalination plants.
- DUST Project: Develops technology to directly treat and valorise dust from steelworks, for the purpose of recovering the zinc contained in it.
- ECOTRON Project: Recycling of electronic devices, and the organic substrates and valuable metals contained in them.
- ECLIPSE Project: Recycling and valorising complex polymeric waste, making it possible to obtain new polymers.
- Plastics2Olefins Project: Participation in a consortium to design a plastics recycling demo plant to obtain high-value products. Técnicas Reunidas participates in engineering development, process optimisation and technology integration.
- RELOAD Project: Participation within PERTE (Strategic Projects for Economic Recovery and Transformation) for the development of electric vehicles and technologies to recover metals and critical raw materials for batteries, super magnets and other electric car components.
- SUNRISE Project: Recovery and reuse of critical materials and components in the photovoltaic solar energy value chain, increasing their value and ameliorating the environmental impact.

Hydrogen

- SHINEFLEET Project: Covers the entire hydrogen value chain, from production to end use, including developing compact renewable and blue hydrogen generators for the heavy transport industry.
- ZEPPELIN Project: Studying and developing innovative, efficient, circular economy-based technological solutions for green hydrogen production and storage. Técnicas Reunidas produces hydrogen from waste using catalytic and thermochemical techniques.
- UNDERGY Project: Studies technologies to develop seasonal renewable energy storage with green hydrogen integrated into a smart grid. The core elements of the project are: Studying renewable energy storage in the subsoil using green hydrogen and creating an efficient energy management system.
- HYMET Project: Developing new technologies applicable to decarbonising the steel industry and to raising the value of its by-products. Técnicas Reunidas studies valorising waste through a reduction reactor; generating green hydrogen; and valorising captured carbon dioxide.
- EFISOEC Project: Technology development for green hydrogen production using SOEC (solid oxide electrolyser cell) technology.
- HY2DEC Project: Developing and validating new emerging technologies for green oxygen and hydrogen production and use and for CO2 capture, and their integration into processes used in Spain’s intensive industry.
- POWER2HYPE Project: Development and demonstration of a new process to produce hydrogen peroxide, trading the established chemical pathway required by energy for a sustainable electrochemical pathway.

Critical Raw Materials

- PHOS4LIFE™: Producing technical grade phosphoric acid from sludge ash from wastewater treatment plants.
- RARETECH Technology™: Technology to produce rare earth concentrates from monazite-type ores.
- REMSELAN Project: Obtaining rare earths (cerium, neodymium, praseodymium, lanthanum and europium) by separating and purifying lanthanums.
- RECYCLION Project: that of developing technology to recycle electric vehicle batteries with special emphasis on their sustainability, economic viability and integration into the circular economy of the value chain of manufacturers lithium-ion batteries.
- BIORECOVER Project: Recovery of rare earths and platinum from primary and secondary sources.
- MINETHIC Project: Developing technologies to obtain critical raw materials essential for the success of the energy transition.

Biorefining

- LEVAPLUS Project: Developing technology that will make it possible to recover raw materials rich in C6 sugars in order to produce carboxylic acids for obtaining chemicals, polymers or drugs, among other products.

Nuclear fusion

- FUSION FUTURE Project: Research on new materials, processes and advanced technologies that will help provide a response to the main issues on the road to nuclear fusion energy.

  There is currently a portfolio of business opportunities for the industrial implementation of these technologies in coming years.

2. Main risks and uncertainties for 2023

Técnicas Reunidas' activity is closely linked to energy prices. In recent months, oil prices have recovered and gas prices have been volatile, especially in Europe, as a result of the uncertainties caused by the war in Ukraine.

The higher price of energy should lead to an increase in the pace of investment by customers and, therefore, of the awarding of new projects expected to take place in 2023. Nevertheless, in this scenario of pandemic and volatility, we should note the risk associated with the uncertainty surrounding our customers' decisions regarding project awards and execution.

The raw materials used by Técnicas Reunidas in executing its projects (copper, steel, nickel, etc.) have experienced certain supply pressure due to the rebound in activity in Asian markets and in particular the consequences of the war in Ukraine. Although Técnicas Reunidas uses active risk management procedures associated with these procurements, it is still exposed to the fluctuations that may arise in these markets.

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

3. Alternative Performance Measures

In addition to the financial information presented in this document and prepared under EU-IFRSs, the Group includes certain Alternative Performance Measures as defined in the guidelines issued by the European Securities and Markets Authority (ESMA) on 5 October 2015 (the "ESMA Guidelines" and the "APMs"). The Group believes that the presentation of the APMs included in this document complies with the ESMA Guidelines and with the "Q&A on ESMA Guidelines on Alternative Performance Measures" published on 17 April 2020 (the "ESMA Q&A").

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.

EBIT ("Earnings before interest and taxes")

Earnings before interest and taxes (EBIT) indicates the Group's operating income excluding account financial and tax results. EBIT is equivalent to "operating profit".

The following table provides a reconciliation of our income with EBIT for the periods indicated:

		Millions of euros	
		Six-month period ended 30 June	
		2023	2022
EBITDA	Profit from operations, excluding depreciation and amortisation	90.3	(43.8)
Depreciation and amortisation charge and impairment	Depreciation, amortisation and impairment	(12.9)	(12.6)
EBIT	**Profit/(Loss) from operations**	**77.3**	**(56.4)**

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.

Ratio of operating margin (EBIT) to ordinary income

The ratio for operating margin (EBT) as a percentage of revenue is calculated by dividing the Group's operating profit (excluding financial and tax results) by total revenue.

The calculation is as follows:

		Millions of euros	
		Six-month period ended 30 June	
		2023	2022
EBIT	Profit from operations, excluding depreciation and amortisation	77.3	(56.4)
Sales	Revenue	2,171.6	1,654.2
EBIT/sales	**Ratio of operating margin to sales**	**3.56%**	**-3.41%**

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.

Net cash

Net cash is the alternative performance measure used by management to determine the Group's net liquidity level for the purpose of complying with the covenants relating to financial debt. It is calculated as the difference between "cash and cash equivalents" plus "financial assets at fair value through profit or loss" less "borrowings" (excluding "borrowings associated with rights of use of leased assets" and "participating loans"). 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.

The following table provides a reconciliation of our cash and cash equivalents with net cash:

		Millions of euros	
		At 30 June 2023 (unaudited)	**At 31 December 2022**
Cash and cash equivalents	Cash on hand, demand deposits in banks and other short-term highly liquid investments maturing within three months or less.	992.3	959.7
Borrowings	Non-current and current bank borrowings	(751.4)	(802.1)
Net cash	**Cash and cash equivalents, plus financial assets at fair value, less borrowings**	**241.0**	**157.5**

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

Portfolio

The Group calculates the backlog as the estimated amount of contracted revenue that the Group expects will translate into future revenue from existing contracts, adjusted to reflect changes in the scope of the contract and exchange rate fluctuations of currencies other than the euro applicable to the projects. The calculation of the backlog also includes the estimated amount of revenue from contracts signed, but for which the scope of the services and, therefore, the price have not yet been determined. In this case, the Group estimates revenue downward and includes it as part of the backlog.

The Group considers its backlog to be a relevant indicator of the pace of development of its activities and monitors it to plan for its needs and adjust its expectations, budgets and forecasts. The volume and calendar of execution of the work in the Group's backlog are relevant anticipating the Group's operational and financing needs, and its capacity to execute its backlog depends on its capacity to meet these operational and financing needs.

In accordance with these considerations, the backlog amounts to EUR 9,228.46 million at 30 June 2023 (EUR 9,514.85 million at 31 December 2022).

Average variable interest rate

The average variable interest applicable to the rest of the debt was as follows:

	2023	**2022**
	EUR	EUR
Variable rates	2.07%	2.19%

Leverage ratio

The leverage ratio is calculated as the ratio of “borrowings” (excluding “borrowings associated with rights of use for leased assets” and “participating loans”) to equity attributable to shareholders.

The calculation is as follows:

		Millions of euros	
		At 30 June 2023 (unaudited)	**At 31 December 2022**
Borrowings	Non-current and current bank borrowings	751.4	802.1
Equity	Equity attributable to shareholders	266.1	83.0
Leverage ratio	**Borrowings/Equity**	**282.36%**	**966.26%**

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