TÉCNICAS REUNIDAS, S.A. Y AND ITS SUBSIDIARIES

Report on Limited Review of
Condensed Interim Consolidated Financial Statements
as at June 30, 2022

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

REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Técnicas Reunidas, S.A. at the request of the Board of Directors:

Report on the Condensed Interim Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of Técnicas Reunidas, S.A. (hereinafter, the parent company) and its subsidiaries (hereinafter, the group), which comprise the interim balance sheet as at June 30, 2022, and the interim income statement, interim statement of other comprehensive income, interim statement of changes in equity, interim cash flow statement and related notes, all condensed and consolidated, for the six months period then ended. The parent company´s directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

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

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six months period ended June 30, 2022 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

Emphasis of Matters

We draw attention to what is indicated in note 2.3 of the interim financial statements, which describes the estimation made by the directors and management of the Group in relation to the impacts and the measures adopted to mitigate the effects suffered by the Group in recent years in its operations, liquidity, solvency and the valuation of assets and liabilities. In this sense, significant deviations in the estimates made by the directors and management in relation to the aspects described in the aforementioned note, could require additional measures to strengthen the liquidity and solvency position of the Group. This matter does not modify our conclusion.

In addition, we draw attention to accompanying 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, 2021. 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, 2022 contains the explanations which the parent company´s directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this directors' Report is in agreement with that of the interim financial statements for the six months period ended June 30, 2022. Our work is limited to checking the interim consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Técnicas Reunidas, S.A. and its subsidiaries´ accounting records.

Other Matters

This report has been commissioned by the Board of Directors in relation to the publication of the half-year financial information required under article 119 of the Consolidated Text of the Securities Market Law, approved by Royal Legislative Decree 4/2015 of October 23, which approves the revised text of the Securities Market Law developed by Royal Decree 1362 / 2007 of October 19.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Fernando Pindado Rubio

July 29, 2022

Deloitte, S.L.

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

July 29, 2022

TÉCNICAS REUNIDAS, S.A.
AND SUBSIDIARIES

Interim Condensed Consolidated
Financial Statements and Interim
Condensed Consolidated Directors' Report
for the six-month period ending 30 June 2022

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 2022
(Amounts in thousands of euros)

	Notes	30 June 2022 (unaudited)	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	**9**	22,757	23,854
Other intangible assets	**9**	47,861	48,749
Rights of use on leased assets	**10**	50,186	40,486
Investments in associates		1,552	1,639
Deferred tax assets		430,813	410,858
Derivative financial instruments	**11.a**	9,468	7,202
Accounts receivable and other financial assets	**11.a**	16,394	75,840
		579,031	**608,628**
Current assets			
Inventories		8,477	8,589
Trade and other receivables	**11.a**	3,010,368	2,568,029
Accounts receivable and other assets	**11.a**	28,740	24,962
Derivative financial instruments	**11.a**	16,846	6,359
Cash and cash equivalents		1,049,167	666,879
		4,113,598	**3,274,818**
Total assets		**4,692,629**	**3,883,446**

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 2022
(Amounts in thousands of euros)

	Notes	30 June 2022 (unaudited)	31 December 2021
EQUITY			
Share capital and Reserves attributable to the Parent's shareholders			
Share capital	**12**	5,590	5,590
Share premium		8,691	8,691
Treasury shares	**12**	(73,432)	(73,269)
Legal reserve		1,137	1,137
Capitalisation reserve		3,056	3,056
Hedging reserve		(18,443)	(2,622)
Cumulative translation differences		(66,219)	(96,043)
Retained earnings		179,836	248,556
Equity attributable to the shareholders of the Parent		**40,216**	**95,096**
Non-controlling interests		**10,666**	**9,562**
Total equity		**50,882**	**104,658**
Participating loans	**11.b**	**175,000**	**-**
Other non-current liabilities			
Borrowings	**11.b, d**	670,078	475,533
Borrowings associated with rights of use of leased assets	**10, 11b**	35,790	28,332
Derivative financial instruments	**11.b**	2,363	2
Deferred tax liabilities		84,836	64,412
Other financial liabilities	**11.b**	851	281
Employee benefit obligations		2,360	2,124
Provisions for contingencies and charges	**13.a**	94,054	70,295
		890,332	**640,979**
Current liabilities			
Trade payables	**11.b**	3,190,201	2,775,067
Current tax liabilities		14,203	14,557
Borrowings	**11.b, d**	244,983	267,352
Borrowings associated with rights of use of leased assets	**10**	15,509	13,089
Derivative financial instruments	**11.b**	55,946	18,868
Other accounts payable	**11.b**	13,570	18,167
Provisions for contingencies and charges	**13.b**	42,003	30,709
		3,576,415	**3,137,809**
Total liabilities		**4,641,747**	**3,778,788**
Total equity and liabilities		**4,692,629**	**3,883,446**

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 2022
(Amounts in thousands of euros)

	Notes	Six-month period ended 30 June	
		2022 (unaudited)	**2021 (unaudited)**
Revenue		1,654,192	1,421,962
Changes in inventories		-	(3)
Procurements		(1,250,692)	(1,102,808)
Employee benefit expenses		(237,894)	(245,760)
Depreciation, amortisation and impairment losses	**9, 10**	(12,567)	(14,414)
Other operating expenses		(212,983)	(210,909)
Other operating income		3,535	4,147
Profit/(loss) from operations		**(56,409)**	**(147,785)**
Finance income		1,438	1,557
Finance costs		(13,038)	(11,066)
Net exchange differences		(64)	(3,787)
Share in profit/(loss) of associates		(93)	(797)
Profit/(loss) before tax		**(68,166)**	**(161,878)**
Income tax	**8**	264	(1,847)
Profit/(loss) for the period		**(67,902)**	**(163,725)**
Attributable to:			
Shareholders of the Parent		(68,824)	(162,529)
Non-controlling interests		922	(1,196)
		(67,902)	**(163,725)**
(Loss)/Earnings per share for profit/(loss) attributable to the equity holders of the Company (expressed in euros per share):			
- Basic and diluted	**12**	(1.28)	(3.03)

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 2022
(Amounts in thousands of euros)

	Six-month period ended 30 June	
	2022 (unaudited)	**2021 (unaudited)**
Profit/(loss) for the period	**(67,902)**	**(163,725)**
Items that may be reclassified to profit or loss		
Cash flow hedges	(19,773)	(5,535)
Tax effect	3,952	1,072
Cash flow hedges, net of tax	(15,821)	(4,463)
Exchange differences on translation of foreign operations	30,006	11,647
Total items that may be reclassified to profit or loss	**14,185**	**7,184**
Other comprehensive income for the period, net of tax	**14,185**	**7,184**
Total comprehensive income for the period	**(53,717)**	**(156,541)**
Attributable to:		
- Owners of the Parent	(54,821)	(155,473)
- Non-controlling interests	1,104	(1,068)
Total comprehensive income for the period	**(53,717)**	**(156,541)**

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 2022
(Amounts in thousands of euros)

	Attributable to the owners of the Parent						Equity attributable to the shareholders of the Parent	Non-controlling interests	Total equity
	Share capital and share premium	Treasury shares	Legal and capitalisation reserves	Hedging reserve	Cumulative translation differences	Retained earnings			
Balance at 01 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 CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 June 2022
(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 01 January 2021	**14,281**	**(73,109)**	**4,193**	**5,187**	**(117,286)**	**439,391**	**272,657**	**10,936**	**283,593**
Comprehensive income for the period									
Profit/(loss) for the period	-	-	-	-	-	(162,529)	(162,529)	(1,196)	(163,725)
Other comprehensive income									
Cash flow hedges, net of tax	-	-	-	(4,463)	-	-	(4,463)	-	(4,463)
Exchange differences on translation of foreign operations	-	-	-	-	11,519	-	11,519	128	11,647
Total other comprehensive income	-	-	-	(4,463)	11,519	-	7,056	128	7,184
Total comprehensive income for the period	**-**	**-**	**-**	**(4,463)**	**11,519**	**(162,529)**	**(155,473)**	**(1,068)**	**(156,541)**
Transactions with owners in their capacity as such:									
Treasury share transactions (net)	-	(240)	-	-	-	48	(192)	-	(192)
Total transactions with owners in their capacity as such	**-**	**(240)**	**-**	**-**	**-**	**48**	**(192)**	**-**	**(192)**
Balance at 30 June 2021 (unaudited)	**14,281**	**(73,349)**	**4,193**	**724**	**(105,767)**	**276,910**	**116,992**	**9,868**	**126,860**

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

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 June 2022 (in thousands of euros)

	Periodo de seis meses terminado el 30 de junio	
	2022 (no auditado)	2021 (no auditado)
Flujos de efectivo de actividades de explotación		
Resultado del período	(67.902)	(163.725)
Ajustes al resultado		
Impuestos	(264)	1.847
Amortización del inmovilizado material, intangible y derechos de uso de activos en alquiler	12.567	14.414
Movimiento neto de provisiones	35.055	60.650
Participación en el resultado de empresas asociadas	93	797
Ingresos por intereses	(1.438)	(1.557)
Gastos por intereses	13.038	11.066
Variación en resultados de derivados	33.711	6.501
Diferencias en cambio	64	3.787
Variaciones en el capital circulante:		
Existencias	112	(135)
Clientes y cuentas a cobrar	(358.507)	(110.186)
Acreedores comerciales	425.148	127.444
Otras cuentas a pagar	(3.792)	(3.979)
Liquidaciones de derivados de cobertura y otras variaciones	(26.751)	10.197
Otros flujos de las actividades de explotación:		
Intereses pagados	(7.257)	(10.462)
Intereses cobrados	1.438	1.557
Impuestos pagados	(6.485)	(34.282)
Efectivo neto (aplicado)/generado a actividades de explotación	**48.830**	**(86.065)**
Flujos de efectivo de actividades de inversión		
Adquisición de Inmovilizado Material	(1.347)	(784)
Adquisición de Inmovilizado Intangible	(132)	(189)
Enajenación de activos a largo plazo	-	269
Efectivo neto (aplicado)/generado en actividades de inversión	**(1.479)**	**(704)**
Flujos de efectivo de actividades de financiación		
Deuda financiera obtenida en el período	647.455	512.510
Devolución de deuda financiera	(303.344)	(448.928)
Pagos de arrendamiento	(9.115)	(10.092)
Adquisición/enajenación neta de acciones propias	(59)	(192)
Efectivo neto (aplicado)/generado en actividades de financiación	**334.937**	**53.298**
Variación neta de efectivo y equivalentes de efectivo	**382.288**	**(33.471)**
Efectivo y equivalentes de efectivo al inicio del período	**666.879**	**931.535**
Efectivo y equivalentes de efectivo al final del período	**1.049.167**	**898.064**

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 2022.

1. General information

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

On 21 May 2021, the registered office and tax address of de Técnicas Reunidas, S.A. was transferred from Arapiles 14, 28015, Madrid, along with its main offices, from Arapiles 13, 28015, Madrid, to Avenida de Burgos, 89, Madrid, Spain.

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

Within its engineering services business, the Group operates through various lines of business in the oil and gas, and power sectors, and other industries.

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

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

The financial statements of Técnicas Reunidas, S.A. (Parent) and the consolidated financial statements of Técnicas Reunidas, S.A. and subsidiaries for 2021 were authorised for issue by the Board on 28 February 2022 and approved with no modifications by the shareholders at the Annual General Meeting held on 28 June 2022.

These interim condensed consolidated financial statements (the "condensed financial statements" or "interim financial statements") were prepared and authorised for issue by the Board on 28 July 2022. 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 2022 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 be read together with the Group’s consolidated financial statements for the year ended 31 December 2021, 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 2022 are presented with information relating to the six-month period ended 30 June 2021 and the interim condensed consolidated balance sheet is presented with information relating to the year ended 31 December 2021.

2.3. Effects of COVID-19, conflict in Ukraine and enforcement of guarantees in Algeria on the Company's activity

2.3.1 COVID-19

The 2019 COVID outbreak continues to affect our operations, although more moderately than in previous years.

In addition, the measures taken by China to control the various outbreaks in 2022 have had a significant effect on the supply chain, both in terms of logistical constraints and through increased prices for various equipment and raw materials, and the availability of labour.

In summary, COVID-19 continues to have some effect on the speed of execution of the projects, impacting on the results of the transactions and the cash position of the Group, although, in the directors’ opinion, the Group's activity has evolved positively in the first months of 2022, as has the contracting of new projects and the settlement of the projects that were practically completed at the end of 2021.

The most significant impacts on our activity in the first half of 2022 were as follows:

Impact on operations

- Additional costs that the Group is unable to recover from its customers incurred in the first half of 2022 in the amount of EUR 10 million, mainly as a result of the accrual by level of progress of expenses incurred in previous years. Total costs incurred not recoverable amounted to EUR 235 million, with EUR 15 million pending accrual.

- Relaunching the projects that were rescheduled in 2020 and 2021, with a gradual impact on the recovery of turnover. At the current date, all projects awarded before March 2020 (the date of lockdown), except for a larger one, have been fully rescheduled and are progressively moving towards a normal rate of execution.

Impact on solvency

On 24 February 2022, the Group received the payment of EUR 340 million from the "Solvency Support Fund for Strategic Companies", in accordance with Royal Decree Law 25/2020, of 3 July, which is managed by Sociedad Estatal de Participaciones Industriales (SEPI). This payment is structured into two tranches: A first tranche consisting of a participating loan of EUR 175 million, and a second tranche, in the form of an ordinary loan, of EUR 165 million. Both loans have a term of four and a half years, with the possibility of early repayment, although the ordinary loan has a 1-year interest-only period. The objective of the participating loan is to strengthen the Parent's equity for commercial purposes (see Note 11.d).

Impact on liquidity

The Group constantly monitors its liquidity needs by preparing a cash plan to ensure that it has the funds necessary to cover its operating requirements in the coming years: The cash plan approved by the Board includes the following main assumptions:

- Recovery of activity and financial flows in the coming quarters.
- Progress on projects in accordance with the schedules agreed with customers.
- Gradual recovery of new projects awarded and their impact on cash.
- Progress on the ongoing plans to improve efficiency and cash flows.
- Conclusion of the various arbitration proceedings and litigation under way as envisaged.
- Cash conversion of our work performed but not yet billed according to a standard scenario, and of exchange orders and claims.
- Compliance with the conditions established in the financing obtained through the Strategic Companies Solvency Support Fund (FASEE) for EUR 340 million in February 2022 (see Note 11.d).

Furthermore, to strengthen its liquidity position, in 2021 and the first few months of 2022 the Group extended the maturity of its borrowings and obtained new short and long-term financing (see Note 11.d). Mew measures have also been implemented for managing working capital in order to mitigate the impact of the slowdown in payment for work performed but not yet billed. In addition, the Group was exempted from complying with the financial ratio of all credit facility agreements with covenants until June 2023.

Taking into account the forecasts for progressive recovery of the Group's business in 2022, the Parent's director consider that the liquidity position will substantially improve, among other aspects, due to the progress in normal conditions of the projects under way, the development of the new portfolio of projects awarded and the conversion into cash of the work executed and yet to be invoiced (see Note 11).

The Parent's directors assessed the Group's capacity to continue its activity and comply with its financial obligations, based on the expectations for compliance with the viability plan approved by the Spanish State Company for Industrial Investments (Sociedad Estatal de Participaciones Industriales, SEPI) and the cash plan approved by the Board for 2022. The Parent's directors believe the Group's liquidity and solvency position must be strengthened in the coming quarters as a result of the progressive recovery of the activity and to support it.

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

Except as stated in relation to the projects affected by the restrictions imposed on carrying out activity in Russia, there have been no cancellations of EPC projects included in the backlog, or significant increases in the risk of non-payment due to deterioration in the financial position of customers or in the assessment of expected losses due to the quality and solvency of the customer portfolio. Likewise, the Group assessed the recoverability of the assets related to the work performed but not yet billed and those relating to exchange orders and claims, and the recoverability of deferred tax assets based on the estimated medium- and long-term performance of operations, concluding that they may be recovered. In any case, in this complex environment, and also taking into account the worsening situation in Algeria, the Group has made a provision for risks and expenses in the amount of EUR 75 million (see Note 13).

2.3.2 Conflict in Ukraine

The war in Ukraine has had a strong impact on our operations. On the one hand, as a result of the restrictions imposed by the European Union and other international bodies, the Moscow refinery revamping project with Gazprom amounting to EUR 234 million was cancelled; at the date of cancellation it had reached a progress level of 4.75%.

Furthermore, the conflict in Ukraine has significantly affected the stability of the markets, especially in geographic areas close to the conflict. Significant disruptions have arisen throughout the supply chain of the engineering and construction industry in the energy sector. This has mainly lead to an increase in the prices of equipment and materials and to a significant instability in suppliers' offers. The economic valuation of these impacts is EUR 50 million, which were calculated reducing the final estimated profit of the projects that are recognised by level of progress.

2.3.3 Enforcement of guarantees in Algeria

On 8 June 2022, the consortium formed by Neptune Energy and Sonatrach enforced the performance guarantees in their total amount, equivalent to EUR 80 million. Insofar as the customer had issued the provisional acceptance certificate for the plant on 1 June 2020 to its full satisfaction, on 21 June 2022, the Group initiated arbitration before the International Chamber of Commerce to recover the guarantees enforced and assert its claim for other additional costs not paid by the customer.

3. Accounting policies

Except as indicated below, the accounting policies applied are consistent with those applied in the 2021 consolidated financial statements.

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

3.1. Mandatory standards, amendments and interpretations for all annual periods beginning on or after 1 January 2022:

- IAS 16 (Amendment) - "Property, plant and equipment – Proceeds before intended use"
- IAS 37 (Amendment) – "Onerous contracts – Cost of fulfilling a contract"
- IFRS 3 (Amendment) – "Reference to the conceptual framework"
- Annual improvements to IFRSs. 2020-2018 cycle: The amendments affect IFRS 1, IFRS 9 and IAS 41 and apply to annual periods beginning on or after 1 January 2022.
    - IFRS 1 " First-time adoption of IFRS."
    - IFRS 9 "Financial instruments".
    - IAS 41 "Agriculture".

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

Since 1 January 2022, in accordance with the criteria established by IAS 29 "Financial reporting in hyperinflationary economies", the Turkish economy must be considered hyperinflationary. The inflation rates used were Turkey's consumer price index. The Group is assessing the effect of its application in line with the implementation of the rule at the local level, although the effect on the interim condensed consolidated financial statements is not considered significant.

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

- IFRS 17 – "Insurance contracts"
- IAS 1 (Amendment) – "Disclosure of accounting policies"
- IAS 8 (Amendment) – "Definition of accounting estimates"

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.

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

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

- IFRS 10 (Amendment) and IAS 28 (Amendment) – "Sale or contribution of assets between an investor and its associate or joint venture"
- IFRS 17 (Amendment) - "Initial application of IFRS 17 and IFRS 9 - Comparative information"
- IAS 1 (Amendments) – "Classification of liabilities as current or non-current"
- IAS 12 (Amendment) - "Deferred tax related to assets and liabilities arising from a single transaction"

If any of the above standards are adopted by the European Union or may be adopted early, the Group would apply them with the corresponding effects on its interim condensed consolidated financial statements.

The application of these amendments and interpretations will not have a significant effect on the Group's financial statements.

3.4 Changes in the scope of consolidation

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 company 50% owned by Técnicas Reunidas, S.A.

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

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 2021, with the exception of changes in estimates to determine the provision for income tax (see Notes 3 and 8) and the actions taken to mitigate the impact on liquidity and solvency as a result of the COVID-19 situation, the conflict in Ukraine and the enforcement of guarantees in Algeria as indicated in Note 2.3.

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 be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2021 (see Note 3 of the 2021 consolidated financial statements).

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 Notes 2.3 and 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:

30 June 2022	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through other comprehensive income	-	264	-	264
Hedging derivatives	-	26,314	-	26,314
Total assets	**-**	**26,578**	**-**	**26,578**
Liabilities				
Hedging derivatives	-	58,309	-	58,309
Total liabilities	**-**	**58,309**	**-**	**58,309**

31 December 2021	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through other comprehensive income	-	264	-	264
Hedging derivatives	-	13,561	-	13,561
Total assets	**0**	**13,825**	**-**	**13,825**
Liabilities				
Hedging derivatives	-	18,870	-	18,870
Total liabilities	**-**	**18,870**	**-**	**18,870**

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.

As regards 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 be quantified using measurement models.

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

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

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

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

There were no significant changes in economic or business circumstances that significantly affected the fair value of the Group's financial assets and financial liabilities either in the first half of 2022 or in the first half of 2021.

No financial assets were reclassified or transferred between levels in the first half of 2022 or in the first half of 2021.

6. Seasonal nature of operations

The Group's activity is not seasonal in nature.

7. Operating segment reporting

The Group classifies its operating segments as follows:

- Oil and Gas
- Power
- Other industries

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

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

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

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

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

The operating segment analysis is based on an assessment of the segments’ operating profit, adjusted for unallocated Group overheads. In addition, the Group manages financing activities and the effect of income tax. Consequently, finance income and costs and income tax, and borrowings and tax payables, have not been allocated by segment. Additionally, non-current assets are not allocated, nor is the relevant depreciation or impairment, as they are not considered to be significant.

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

The detail, by business segment, of the revenue and profit or loss for the six-month periods ended on 30 June 2022 and 2021 are as follows:

	Six-month period ended 30 June 2022				
	Oil and Gas	Power	Other industries	Unallocated	Group
Revenue	1,523,005	90,906	40,281	-	**1,654,192**
Profit/(loss) from operations	(1,771)	(4,112)	(3,472)	(47,054)	**(56,409)**
Net financial profit/(loss)	-	-	-	(11,664)	**(11,664)**
Share in profit/(loss) of associates	-	-	-	(93)	**(93)**
Profit/(loss) before tax	**(1,771)**	**(4,112)**	**(3,472)**	**(58,811)**	**(68,166)**
Income tax	-	-	-	264	**264**
Profit/(loss) for the period	**(1,771)**	**(4,112)**	**(3,472)**	**(58,547)**	**(67,902)**

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

Revenue by geographical area for the six-month periods ended on 30 June 2022 and 2021 are as follows:

	Six-month period ended 30 June	
	2022	2021
Spain	61,560	12,876
Middle East	987,198	1,143,878
America	153,585	174,012
Asia	58,125	112,125
Europe	155,320	(75,611)
Mediterranean	238,404	54,682
Total	**1,654,192**	**1,421,962**

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

There were no changes in the allocations of assets and liabilities by segment during the first half of 2022 and 2021 compared with December 2021 and 2020, most of which corresponded to the Oil and Gas segment (see

Note 5 to the consolidated financial statements at 31 December 2021).

8. Income tax

Income tax expense/income is recognised based on management's estimate based on the results obtained in the first half of the year.

On 24 March 2022, an APA (Advance Pricing Agreement) was signed with the tax authority that defined the mechanism for allocating margins to the various legal entities involved in an EPC and EPCm project, except when they are carried out in consortiums with third parties under a shared risk and peril system.

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

The changes in the first six months of 2022 and 2021 are as follows:

	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**

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

At 30 June 2022 and 31 December 2021, the Group did not have any significant commitments to purchase non-current assets.

10. Rights of use over leased assets

The changes in the first six months of 2022 and 2021 are as follows:

	Offices	Vehicles	Housing	Total
Cost				
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
Translation differences	80	1,795	698	2,573
Ending balance	**83,975**	**18,649**	**18,668**	**121,292**
Amortisation charge				
1 January 2022	**33,941**	**11,827**	**13,990**	**59,758**
Charge for the year	6,654	1,763	501	8,918
Translation differences	294	1,151	985	2,430
Ending balance	**40,889**	**14,741**	**15,476**	**71,106**
Balances at 1 January 2022	**36,596**	**3,131**	**759**	**40,486**
Net balance at 30 June 2022	**43,086**	**3,908**	**3,192**	**50,186**

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

Balances at 1 January 2021	**12,994**	**4,651**	**3,260**	**20,905**
Net balance at 30 June 2021	**38,412**	**3,835**	**735**	**42,982**

The amounts paid in relation to rights of use on leased assets at 30 June 2022 amounted to EUR 9,115 thousand (EUR 18,342 thousand at 31 December 2021).

At 30 June 2022, the borrowings associated with the rights of use of leased assets amounted to EUR 51,299 (EUR 41,421 thousand at 31 December 2021) and the interest charged to the income statement amounted to EUR 304 thousand (EUR 288 thousand at 31 December 2021).

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 2022 and 31 December 2021 are as follows:

	30 June 2022			
Financial assets:	**Financial assets at fair value through profit or loss**	**Financial assets through other comprehensive income**	**Amortised cost**	**Hedging derivatives**
Nature / Category				
Derivatives	-	-	-	9,468
Accounts receivable and other financial assets	-	264	16,130	-
Long-term/non-current	**-**	**264**	**16,130**	**9,468**
Derivatives	-	-	-	16,846
Trade and other receivables	-	-	3,010,368	-
Accounts receivable and other financial assets	-	-	28,740	-
Short-term/current	**-**	**-**	**3,039,108**	**16,846**
Total financial assets	**-**	**264**	**3,055,238**	**26,314**

	31 December 2021			
Financial assets:	**Financial assets at fair value through profit or loss**	**Financial assets through other comprehensive income**	**Amortised cost**	**Hedging derivatives**
Nature / Category				
Derivatives	-	-	-	7,202
Accounts receivable and other financial assets	-	264	75,576	-
Long-term/non-current	**-**	**264**	**75,576**	**7,202**
Derivatives	-	-	-	6,359
Trade and other receivables			2,568,029	-
Accounts receivable and other financial assets	-	-	24,962	-
Short-term/current	**-**	**-**	**2,592,991**	**6,359**
Total financial assets	**-**	**264**	**2,668,567**	**13,561**

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

The decrease in "Non-current accounts receivable and other financial assets" in the first six months of 2022 is a result of the arbitration award on the Australian project detailed in Note 13-a.

a.1) - Impairment losses on financial assets

The changes in the first half of 2022 and 2021 in the balance of provisions for impairment of the assets included under "Trade and other receivables" is shown below:

	30 June	
	2022	**2021**
Beginning balance	**38,645**	**30,568**
Impairment losses charged to income	7,119	3,956
Ending balance	**45,764**	**34,524**

The remaining financial assets were not impaired in the first half of 2022 and 2021.

a.2) - Trade and other receivables

This heading includes EUR 2,325,627 thousand (31 December 2021: EUR 2,081,489 thousand) in respect of Work executed pending certification, which is calculated using the criteria established in Note 2.20 to the consolidated financial statements for the year ended 31 December 2021.

EUR 477,592 thousand in claims and change orders were recognised at 30 June 2022 in relation to the work performed but not yet billed. At 31 December 2021, the amount of these claims and change orders totalled EUR 670,916 thousand, of which EUR 410,032 thousand were still in the process of being negotiated at the date of authorisation for issue of these interim consolidated financial statements.

At 30 June 2022 and 31 December 2021, the total amount requested in claims amounted to EUR 1,418,246 thousand and EUR 1,971,279 thousand, respectively. The breakdown, by geographical area, of the amounts recognised at 30 June 2022 (31 December 2021) is as follows:

- Middle East: 85.2% (90.6%)
- America: 0.5% (0.3%)
- Mediterranean, Europe and Asia: 14.3% (9.1%)

At 30 June 2022 and 31 December 2021, the total amount requested in claims amounted to EUR 515,580 thousand and EUR 565,741 thousand, respectively.

b) Financial liabilities

The detail, by nature and measurement category, of the financial liabilities at 30 June 2022 and 31 December 2021 are as follows:

	30 June 2022		31/12/2021	
Financial liabilities	**Accounts payable**	**Hedging derivatives**	**Accounts payable**	**Hedging derivatives**
Nature / Category				
Participating loans	175,000	-	-	-
Borrowings	670,078	-	475,533	-
Borrowings associated with rights of use of leased assets	35,790	-	28,332	-
Derivatives	-	2,363	-	2
Other accounts payable	851	-	281	-
Non-current payables/Non-current financial liabilities	**881,719**	**2,363**	**504,146**	**2**
Borrowings	244,983	-	267,352	-
Borrowings associated with rights of use of leased assets	15,509	-	13,089	-
Derivatives	-	55,946	-	18,868
Trade payables	3,190,201	-	2,775,067	-
Other accounts payable	13,570	-	18,167	-
Current payables/Current financial liabilities	**3,464,263**	**55,946**	**3,073,675**	**18,868**
Total financial liabilities	**4,345,982**	**58,309**	**3,577,821**	**18,870**

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

c) Hedging financial derivatives

Note 2.21 to the Group's consolidated financial statements for the year ended 31 December 2021 details the criteria used by the Group for hedging activities. There have been no changes in these criteria during the first half of 2022.

The changes in current and non-current derivative financial instruments in the first half of 2022 relate to the changes due to the valuation of derivative financial instruments carried out by the Group, and to the arrangements and settlements thereof during that period. There have been no changes in valuation techniques in estimating the fair value of derivative financial instruments. These valuation techniques are those customarily used in the market; the procedure consists of calculating the fair value by discounting the future cash flows associated with them based on the interest rates, exchange rates, volatilities and forward price curves in force on the closing dates in accordance with the reports of financial experts.

During the first half of 2022 and 2021, there were no significant inefficiencies due to foreign currency hedges.

d) Borrowed funds

The details of the borrowed funds at 30 June 2022 and at 31 December 2021 are as follows:

	30 June 2022	31/12/2021
Non-current		
Participating loans	175,000	-
Borrowings	662,493	467,262
Miscellaneous	7,585	8,271
Current		
Borrowings	244,075	266,134
Miscellaneous	908	1,218
	244,983	**267,352**
Total participating loans	**175,000**	**-**
Total other borrowings	**906,568**	**733,396**
Total other	**8,493**	**9,489**

The changes in the outside resources over the six-month periods ended 30 June 2022 and 2021 were as follows:

	2022	2021
Beginning balance	**742,885**	**736,155**
Participating loans	175,000	-
Ordinary FASEE loan	165,000	-
Drawdowns	307,455	512,510
Repayments	(303,344)	(448,928)
Accrued interest	10,322	11,066
Interest paid	(7,257)	(10,462)
Miscellaneous	-	3,526
Ending balance	**1,090,061**	**803,867**

On 24 February 2022, the Group received the EUR 340 million payment corresponding to the FASEE.

This aid takes the form of a participating loan of EUR 175 million and an ordinary loan of EUR 165 million. Both loans have a term of four and a half years, with the possibility of early repayment. Except for this possibility of early repayment, in the case of the participating loan, the principal is repaid at maturity and the ordinary loan has an interest-only period of 1 year and is subsequently repaid annually at 20%, 30%, 30% and a final tranche of 20% at maturity.

The participating loan accrues an annual interest rate linked to the IBOR + 250 bps. In addition, this financing also includes a variable component linked to the development of the Group's activity and the obtaining of profit before tax.

The terms of the financing received, the breach of which could give rise to early maturity, include certain obligations as regards 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 equity in 2022 in accordance with the viability plan and the policy defined by the Group's directors. Likewise, among other terms, a change in control of the Group in 2022 is grounds for early maturity. During the term of these loans, the Group had the obligation not to distribute dividends.

In accordance with the financing, the Parent (Técnicas Reunidas, S.A.) acted as the applicant, financed party and beneficiary, and Initec Plantas Industriales, S.A.U. acted as beneficiary and guarantor of the facility agreements. Both companies have joint and several liability for both loans.

At the end of June 2020, the Group refinanced the syndicated loans amounting to EUR 437 million. This refinancing consisted of a loan guaranteed by the ICO for an amount of EUR 244 million (COVID-19 ICO line), and a loan of EUR 127 million and a credit facility in the amount of EUR 66 million, both backed by CESCE. At 30 June 2022, the amount of these syndicated lines amounted to EUR 364,169 thousand. This 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 2021-24: 30% of the consolidated net profit for the years 2021/2022, 40% of the consolidated net profit for 2023 and 50% of the consolidated net profit for 2024.

In addition, in 2021, the Group renewed the programme in the Alternative Fixed-Income Market (MARF) for short-term promissory notes amounting to EUR 175 million. The balance at 30 June 2022 amounted to EUR 57,000 thousand (31 December 2021: EUR 84,200 thousand). The average interest rate is 1.13% (2021: 0.87%).

The bond programme was also renewed in the MARF for EUR 100 million. The balance at 30 June 2022 amounted to EUR 49,800 thousand (31 December 2021: EUR 49,800 thousand). The bonds issued in the MARF had an interest rate of 2.75% and mature in December 2024.

Between the end of the year and the date these interim consolidated statements were prepared, the maturity of two of the bilateral loans amounting to EUR 17.5 million was increased by 1 year.

The long-term private debt placement agreements and the German promissory note financing in force at 30 June 2022 require that the consolidated net financial debt/EBITDA ratio be less than or equal to 3.

At 30 June 2022, of the total financial debt, EUR 495,698 thousand was at fixed rates (31 December 2021: EUR 348,755 thousand) as detailed below:

	30.06.2022		31.12.2021	
Item	**Amount**	**Rate**	**Amount**	**Rate**
MARF promissory notes	57000	0.65-2%	84,200	0.52-2%
Fixed SSD loans	-		8,000	1.45%
Fixed loans	70,976	1.29%-2.14%	52,844	1.29%-2.14%
Syndicated ICO	96,922	2,455%	97,911	2.45%
MARF bonds	49,800	2.75%	49,800	2.75%
Private placement	56,000	3.25%	56,000	3.25%
Ordinary FASEE loan	165,000	2%	-	
	495,698		**348,755**	

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

	2022	2021
	Euros	EUR
Variable rates	1.95	1.97%

The Group’s undrawn credit facilities are as follows:

	Thousands of euros	
Floating rate:	**30 June 2022**	**31/12/2021**
- maturing within one year	5,171	46,776
- maturing in more than one year	15,956	71,605
	21,127	**118,381**

At the date of preparation of these interim financial statements, the financial entities participating in the two syndicated credit lines, and the MARG bonds, the private placement and the German promissory notes, authorised the waiver of the Group's obligation to meet the financial ratio (Net financial debt/consolidated EBITDA must be less than or equal to 2.5) in 2022.

12. Equity

Share capital

A 30 June 2022 and 31 December 2021, the total authorised number of ordinary shares was 55,896,000 shares, 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 2022 represents 4.04% of the share capital of the Parent (4.03% at 31 December 2021) and totals 2,256,384 shares (2,250,434 shares at 31 December 2021).

The shareholders at the Parent's Annual General Meeting held on 25 June 2020 agreed to authorise the Board, for a period of 5 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 transactions. The agreement was signed for a term of one year, which was renewed on 10 July 2017 in accordance with CNMV Circular 1/2017, of 26 April, and was automatically extended for additional years on 10 July 2019. A total of 74,500 shares were allocated to the securities account associated with the agreement and EUR 2,537 thousand 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 2022 or 2021.

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 2022 and 2021 are as follows:

	2022 (6 months)	**2021 (6 months)**
Profit for the period attributable to ordinary equity holders of the entity (thousands of euros)	(68,824)	(162,529)
Weighted average number of ordinary shares outstanding	53,642,591	53,691,220
Earnings per share of the profit attributable to ordinary equity holders of the entity (EUR per share)	(1.28)	(3.03)

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 2021 details the criteria used by the Group for establishing these provisions. There have been no changes in these criteria during the first half of 2022. The changes in non-current provisions during the six-month periods ended 30 June 2022 and 30 June 2021 are shown below:

a) Provisions for contingencies and charges - Non-current

	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 1.1.2022	**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**

	Six-month period ended 30 June 2021			
DESCRIPTION	**Provision for estimated project loss**	**Provision for infrastructure**	**Other provisions**	**Total provisions for contingencies and charges**
Balance at 1.1.2021	**2,588**	**4,000**	**30,639**	**37,227**
Reversals/amounts used	-	-	-	-
Period provisions	-	-	61,224	61,224
Balance at 30.06.2021	**2,588**	**4,000**	**91,863**	**98,451**

Provision for estimated project loss

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

Provision for infrastructure

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

Other provisions

This line item relates to provisions arranged to cover other contingencies and charges, including payment obligations to project partners, provisions for probable risks, provisions for other non-current payments to be made relating to litigation, arbitration proceedings and claims with customers and subcontractors (see Note 2.3).

The change in the period is due to the application of the provision relating to arbitration in the Australian project that was resolved in the first half of 2022, the short-term reclassification of the provision corresponding to an arbitration proceeding in Latin America, and the provision of management's best estimate of risks due to existing litigation and claims. Moreover, the Group has allocated provisions for approximately EUR 75 million as a result of the worsening situation in Algeria (see Note 17), and the impacts arising from risks caused in the context described in Note 2.3.

As regards 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 2022	**30/06/2021**
Beginning balance	**30,709**	**29,941**
Reversals/amounts used	(28,497)	(575)
Reclassifications	39,791	-
Period provisions		-
Ending balance	**42,003**	**29,366**

The changes in the first half of 2022 were due to the application of the provision relating to the Sines litigation that was executed in the second half of 2022, and the short-term reclassification of the provision corresponding to an arbitration proceeding in Latin America.

14. Related party transactions

Related party transactions, which are part of the Group's ordinary business, during the first six months of 2022 and 2021 are as follows:

- Transactions with shareholders of the Parent

During the first six months of 2022 and 2021, 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 2022 and 30 June 2021, except as detailed below and in Note 15:

- Transactions with Banco Sabadell:

Thousands of euros	**30 June 2022**	**30/06/2021**
Finance costs	-	9
Finance income	-	-
Thousands of euros		
Credit facilities	10,000	10,000
Drawn balances	5,000	5,000
Guarantee line	47,000	57,655
Used guarantees	26,932	28,771
Cash and cash equivalents	2,009	6,205

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

- Transactions with associates

These refer to transactions carried out with associates (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 2022	First six months 2021
Loans	7,070	4,376
Trade receivables	347	347
Interest	66	39

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

a) Board Remuneration

The details of the remuneration and benefits received by Board members of the Parent for the six-month periods ended 30 June 2022 and 2021 are as follows:

	Thousands of euros	
	30 June 2022	30 June 2021
Type of remuneration		
Fixed remuneration	343	728
Variable remuneration	-	385
Attendance fees	1,066	1,032
Other services	150	150
Total:	**1,559**	**2,295**
Other benefits		
Life insurance premiums	2	2
Total other benefits:	**2**	**2**

The Group also has an annual payment commitment of EUR 340 thousand in 2022 and EUR 333 thousand in 2021 for third-party liability insurance to directors.

During the first six months of 2022 and 2021, 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 2022 amounts to EUR 2,663 thousand (30 June 2022: EUR 3,230 thousand).

During the first six months of 2022 and 2021, no advances or loans were granted to senior management.

No other types of remuneration were accrued during the first six months of 2022 or 2021.

16. Average headcount

The detail, by category and gender, of the Group's average headcount for the first six months of 2022 and 2021 is as follows:

	Average headcount for the six-month period					
	2022			2021		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executive directors and senior executives	10	1	11	11	1	12
Graduates, line personnel and clerical staff	4,786	1,720	6,506	4,933	1,745	6,678
Non-graduates/Unqualified staff	141	15	156	146	13	159
Sales staff	26	9	35	27	8	35
	4,963	**1,745**	**6,708**	**5,117**	**1,767**	**6,884**

Subcontracted personnel included in the average headcount at 30 June 2022 was 798 workers (30 June 2021: 835 workers).

The average number of people with disabilities equal to or greater than 33% employed in the six months ended 30 June 2022 and 30 June 2021 by the companies included in the Group was 27 and 25, respectively.

17. Other information

- Contingencies and guarantees provided

Note 28 to the consolidated financial statements for the year ended 31 December 2021 includes information on the contingencies and guarantees provided at that date.

In the ordinary 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 4,938,679 thousand at 30 June 2022 (31 December 2021: EUR 4,500,390 thousand).

The total guarantees provided includes syndicated guarantee lines amounting to EUR 731,648 thousand (31 December 2021: EUR 671,787 thousand).

Group management considers that the provisions recognised in these interim financial statements at 30 June 2022 reasonably cover the risks of litigation, arbitration and claims, and that additional liabilities are not expected to arise.

In relation to the tax audits mentioned in Note 26 to the consolidated financial statements for the year ended on 31 December 2021, securities have been presented before the tax authorities in an amount of EUR 125.1 million for the tax payable and EUR 27 million for late-payment interest.

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, formulated based on the 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 financial position.

18. Events after the reporting date

From the reporting date of the six-month interim period ended 30 June 2022 to the date of authorisation for issue of these interim condensed consolidated financial statements, no significant events have taken place that were not mentioned in the notes to the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED DIRECTORS' REPORT
FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2022

1. Business performance

The macroeconomic environment

The impact caused by the COVID-19 pandemic was still being seen in the first half of 2022. Although vaccination and hospital admission rates have continuously declined, COVID-19 continues to cause mobility restrictions, difficulties in implementing projects and various impacts on the value chain.

In the first half of the year there was an outbreak in several cities in China, which had a significant effect on the supply chain, both in terms of logistical constraints and through increased prices for various equipment and raw materials, and the availability of labour.

Furthermore, the conflict in Ukraine has significantly affected the stability of the markets. Significant disruptions have arisen throughout the supply chain of the engineering and construction industry in the energy sector. This has mainly lead to an increase in the prices of equipment and materials and to a significant instability in suppliers' offers.

The world economy will be significantly impacted by the conflict in Ukraine and Europe's dependence on Russia for energy. According to World Bank data for the world economy as a whole, compared with the previous estimated growth of 4.1% in 2022 and 3.2% in 2023 before the conflict, June forecasts estimate an increase of 2.9% in 2022 and 3.0% in 2023.

The inflationary effect is also highly significant. According to the same source, in April 2022 inflation reached 7.8% globally, the highest year-on-year value since 2008. This increase in inflation, reflected in both advanced and emerging economies, will result in a significant impact on the growth of the world economy.

The energy sector

The energy sector has significantly recovered pre-pandemic demand levels. Liquid fuels reached a demand of 99 million barrels per day in May 2022, above the 96 million barrels in January 2020.

As regards natural gas, its consumption globally is expected to continue to increase as we saw in 2021. Natural gas will continue to play a very significant role in decarbonising energy, replacing other more polluting fossil fuels. The inclusion of natural gas in the energy sources included in the taxonomy of the European Union was recently approved.

Energy raw material prices are also reaching peaks levels of recent years. Oil increased from USD 50 per barrel at the end of 2020 to USD 116 at the end of June 2022. As regards natural gas, the price at Henry Hub closed in June 2022 at USD 6.5 per MBtu, compared with USD 3.8 per MBtu at the end of 2021, a 71% increase, reaching maximum values of USD 9 per MBtu during this six-month period. The main analysts and institutions that monitor the performance of energy raw materials foresee a sustained scenario of high prices for energy and its derivatives.

The scenario arising from the conflict in Ukraine is leading to important decisions in Europe regarding the diversification of its energy, oil and natural gas supply, which will result in additional investments to supply European energy demand, replacing supplies from Russia.

Before the disruption caused by the conflict in Ukraine, the main companies in the sector, both private companies and national companies, were already pointing to a strong investment cycle due to the lack of investment since the mid-2010s and supported by a scenario of high prices of crude oil and natural gas.

These three factors (geopolitical scenario, lack of recent investment and high price scenario) point to significant investment within the energy industry in the coming years, even in a scenario of lower economic growth.

The Técnicas Reunidas Group

This general macroeconomic environment and the energy industry in particular has had a significant impact on the activity of Técnicas Reunidas.

In operations, COVID-19 continues to have a certain, although increasingly lesser, impact on the speed of executing projects. Compared with quarterly turnover levels above EUR 1.2 billion before the pandemic, turnover remained at an average of EUR 700 million quarterly for over six quarters. In the first half of 2022, half-yearly turnover recovered to EUR 1.654 billion (an average of EUR 827 million quarterly).

As a positive effect, the recovery of investment in the sector has led to a significant volume of awards that amounted to around EUR 4.8 billion from the beginning of 2021 to the end of the first half of 2022. This is a series of projects diversified by products and geographies, with a very attractive risk profile due to the various execution strategies, and in which the Técnicas Reunidas has significantly reduced the risk associated with construction.

The slowdown in awards in recent months is considered short term and a result of the uncertainty associated with the war in Ukraine.

Main financial figures

In the first half of 2022, sales increased by 16%, from EUR 1.422 billion in 2021 to EUR 1.654 billion. There was a loss from operations of EUR -56 million and a net loss of EUR (67.9) million.

The commissioning of projects that had been rescheduled, and the start of the execution of the projects awarded since the beginning of 2021, explain this increase in sales this semester compared with the previous ones. In addition, as described below, the worsening situation in Algeria and the potential impact of other litigation are reflected the results for the six-month period, with a provision for possible risks and expenses of around EUR 75 million.

The first half of 2022 ended with a net cash position of EUR 134 million. With the slowdown in project execution since the beginning of the crisis almost two years ago, and until the full normalisation of the collections sequence, project to project cash management is proving key to ensure the continuity of the supply chain in terms of both equipment and subcontractors.

Access to European funds for strategic and solvent companies

In the middle of 2020, the European Union launched the aid mechanisms for companies that were solvent before COVID-19 and that had been hit hard by the pandemic. In Spain, these funds were managed by the Spanish Company for Industrial Investments (SEPI).

Throughout 2021, Técnicas Reunidas was managing access to this financing instrument, given its nature as a strategic company in the engineering sector in Spain. The result of this initiative was the granting of a financing package of EUR 340 million in February 2022, which took the form of a participating loan of EUR 175 million and an ordinary loan of EUR 165 million.

These amounts were paid by SEPI at the end of February 2022.

Enforcement of guarantees in the Touat Gaz project

On 8 June 2022, the consortium formed by Neptune Energy and Sonatrach requested the enforcement of the performance guarantees relating to the Touat Gaz plant in Algeria.

In August 2013, Técnicas Reunidas announced the award of the Touat Gaz project for a contract value of one billion dollars to develop the facilities of a hydrocarbon complex in south-west Algeria. The project included the engineering, supplies, construction and commissioning of gas processing facilities, with an estimated gas production capacity of thirteen million cubic metres per day.

In September 2019, the customer began exporting the gas processed by the power plant and in June 2020 the customer issued the Provisional Acceptance Certificate for the plant, publicly expressing a high level of satisfaction.

In October 2020, Técnicas Reunidas began the claim for compensation from the customer for additional costs incurred, initiating a negotiating process that has been extended in 2021 and 2022. In the general context, on 8 June the customer requested the enforcement of the performance guarantees in the amount of EUR 80 million.

The efforts made by Técnicas Reunidas to recover the talks were unsuccessful and the guarantee was enforced. Técnicas Reunidas has initiated arbitration proceedings to assert its rights under the contract and recover the excess costs incurred, and other damages as a result of its customer's actions that have harmed it or may harm it in the future.

Main projects awarded to Técnicas Reunidas

In the first half of 2022, awards reached EUR 1.2 million. The main projects that comprise this amount were: the four combined cycles in Mexico for the Federal Electricity Confederation (CFE), the sulphur treatment plant for QatarEnergy in Qatar and the project management, engineering, procurement, supervision and construction services for an ethylene plant in Europe for INEOS.

The four combined cycles in Mexico for the CFE were awarded to the consortium formed by TR and TSK and include the engineering, supply, construction and commissioning of the combined cycle plants. The total amount of the Técnicas Reunidas contract is close to USD 675 million. Two of these combined cycles will be located on the Yucatán Peninsula, in Valladolid and Mérida (with the gas turbines and heat recovery boilers provided by Mitsubishi); and the other two will be located in San Luis Río Colorado and González Ortega (with the gas turbines and heat recovery boilers provided by Siemens). All of them will contribute to improvement and decarbonisation of the Mexican electricity sector.

The sulphur treatment plant for QatarEnergy was awarded to a consortium formed by Técnicas Reunidas (70%) and the Chinese company Wison Engineering Ltd. (30%) for over USD 600 million. The project consists of the construction of new sulphur handling, storage and loading facilities to process and export sulphur from the existing expansion of the LNG plant in the industrial city of Ras Laffan. These new plants will process an average of 5,000 tonnes of melted sulphur per day. The contract also includes an option for subsequent expansion that processes sulphur production in the two additional LNG trains of the North Field South Project and the support infrastructure for those future additional trains.

The INEOS project involves the award of project management, engineering, procurement, supervision and construction services for a global ethylene plant. INEOS will invest between EUR 3 billion and EUR 4 billion in this project. It will be the largest capital investment made by the European chemical sector in the last 20 years. The facility, which will be built at the Belgian port of Antwerp, will have a production capacity of 1.5 million tonnes per year and its commissioning is scheduled for 2026.

Energy transition

In 2021 and early 2022, Técnicas Reunidas continued to enhance its positioning in energy transition technologies: green and blue hydrogen (and its derivative, ammonia), biofuels and biochemicals and carbon capture. The supply of Técnicas Reunidas covers 52% of the demand envisaged in 2050 to tackle the reduction in emissions necessary to achieve the International Energy Agency’s zero emission scenario.

To increase the incorporation of projects based on these technologies in Técnicas Reunidas’ portfolio, the Energy Transition Unit was created in the first months of 2022, reporting directly to the CEO, which will coordinate the actions of the entire company in this area, speed up the activity and take advantage of the existing investment appetite in the market.

The strategy of Técnicas Reunidas as regards the energy transition includes:

- Offering its proposed technologies and services to large oil and gas industry companies, energy-intensive industries and infrastructure funds.

  The large companies in the energy sector, customers of Técnicas Reunidas, have announced ambitious plans to decarbonise their activities. Técnicas Reunidas is providing services to these companies to achieve their decarbonisation goals.

  The cement and steel industry accounted for 14% of global carbon dioxide emissions. Técnicas Reunidas wants to take advantage of its capacities to export them to these industries and is in the process of offering and developing projects with companies in this sector.

  Infrastructure funds have ambitious investment targets in decarbonisation projects. Técnicas Reunidas is holding discussions with several of these institutions to follow up on opportunities and currently has lines of action open for several projects that Técnicas Reunidas is structuring.

  The main energy transition projects on which Técnicas Reunidas is working are:

  - In May, HyDeal, the developer of the largest investment in green hydrogen in Europe, awarded Técnicas Reunidas a basic engineering study of a green hydrogen production plant.
  - In July, an association of the Norwegian company Equinor and the English company SSE awarded the consortium formed by Mitsubishi Power Systems, Worley and Técnicas Reunidas a basic and detailed engineering project for a 900 MW combined cycle plant with a carbon capture unit.
  - Técnicas Reunidas completed the detail engineering of a plant for producing biomethanol from wood, domestic and commercial waste, located in Amsterdam.
  - Other projects on which Técnicas Reunidas is working include engineering services for a biomethanol plant in Spain, the viability study and technology selection for a blue hydrogen plant and the viability study for a carbon capture unit for a power plant with biomass.

- Identifying and structuring investment opportunities in key energy transition technologies.

  Técnicas Reunidas set up the project structuring activity with the aim of developing projects associated with the energy transition that attract the investment of third parties and that are executed in the FEED and EPC phase by Técnicas Reunidas.

  The following projects are currently in the development phase:

  - A green ammonia production project in Carboneras (Almería).
  - Two second-generation projects for producing bioethanol from agricultural and forest waste. The projects are located in Andalusia and Aragon.

- A carbon capture project for a large steel company in a major industrial area in the province of Cádiz.

Técnicas Reunidas is leading the structuring of all these projects and is in discussions with important companies interested in participating as investors, operators or buyers of the products of the plants.

c) Identifying and structuring recurring services associated with the energy transition. Currently, Técnicas Reunidas is working on two lines of business:

- Outsourcing of captured carbon management in large industrial plant processes.

- Identification, measurement and management of methane emissions.

- Building a differential knowledge hub in technologies and processes for implementing energy transition projects.

Research and development activities

Técnicas Reunidas continues with its firm commitment to research, development and scaling up of new technologies. Different types of initiatives are particularly relevant in technological proposals associated with the development of high-efficiency electrolysers, the recycling of fibreglass and carbon fibre, hydrogen production technologies and recycling of plastics.

At its José Lladó Technology Centre, one of the most modern in Spain, where more than 70 people work between graduates and doctors of different disciplines, Research and Technological Development projects are executed. In addition, the centre provides technology development and escalation services, collaborates in transferring research findings between various public research centres, technology centres and Técnicas Reunidas, and promotes and participates in cooperative research programmes between companies.

The Technology Centre makes facilitates and boosts the company's participation in innovation and R&D activities. It has more than 5000 m^2 of state-of-the-art facilities and equipment, allows activities to be conducted at all levels, from the laboratory to the pilot plant, and carrying out demonstration plants. It also has the capability to carry out basic or advanced engineering design for the selected option, completing the whole R&D value chain, from idea to industrial implementation of the developed technology.

2. Main risks and uncertainties for 2022

Técnicas Reunidas' activity is closely linked to the performance of energy prices. Recent months have seen a recovery in oil and natural gas prices in all markets.

This increase in the price of energy results in an increase in the investment rate by customers and, therefore, in the allocation of new projects expected to be maintained throughout 2022

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

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

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

3. Alternative Performance Measures

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

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

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

Management uses EBITDA as an indicator of the Group's capacity to generate profits, considering only its productive activity, eliminating amortisation and depreciation, and the effect of financial results and income tax. It is calculated by deducting the depreciation and amortisation expense and charges for impairment losses for the period from operating profit.

		Millions of euros	
		Six-month period ended 30 June	
		2022	2021
Revenue	Sales and other income	1,657.7	1,426.1
Operating expenses	Procurement costs, staff costs, other operating expenses, depreciation and amortisation, and impairment	(1,714.1)	(1,573.9)
Profit from operations	**Income - Operating expenses**	**(56.4)**	**(147.8)**
Depreciation and amortisation charge and impairment	Depreciation, amortisation and impairment	12.6	14.3
EBITDA	**Profit from operations, excluding depreciation and amortisation**	**(43.8)**	**(133.5)**

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

EBIT ("Earnings before interest and taxes")

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

		Millions of euros	
		Six-month period ended 30 June	
		2022	2021
EBITDA	Profit from operations, excluding depreciation and amortisation	(43.8)	(133.5)
Depreciation and amortisation charge and impairment	Depreciation, amortisation and impairment	(12.6)	(14.3)
EBIT	**Profit from operations**	**(56.4)**	**(147.8)**

The Group's management also confirms that there has been no change in the definition, reconciliation or use of this indicator as regards that used in the previous year.

Net cash

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

		Millions of euros	
		At 30 June 2022 (unaudited)	At 31 December 2021
Cash and cash equivalents	Cash on hand, demand deposits in banks and other short-term highly liquid investments maturing within three months or less.	1,049.2	666.9
Borrowings	Non-current and current bank borrowings	(915.1)	(742.9)
Net cash	**Cash and cash equivalents, plus financial assets at fair value, less borrowings**	**134.1**	**(76)**

The Group's management also confirms that there has been no change in the definition, reconciliation or use of this indicator as regards that used in the previous year.