



**TÉCNICAS REUNIDAS, S.A.  
AND SUBSIDIARIES**

Limited review report on  
condensed interim consolidated financial  
statements at 30 June 2015



***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***

## **LIMITED REVIEW REPORT ON CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

To the Shareholders of Técnicas Reunidas, S.A. at the request of Management

### **Report on condensed interim consolidated financial statements**

#### Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (the “interim financial statements”) of Técnicas Reunidas, S.A. (the “Parent company”) and its subsidiaries ( the “Group”), consisting of the balance sheet at 30 June 2015, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the related notes, all of them condensed and consolidated, for the six-month period then ended. The Parent company’s directors are responsible for the preparation of said interim financial statements in accordance with the International Accounting Standard (IAS) 34, Interim Financial Reporting, adopted by the European Union, on the preparation of condensed interim financial information, in conformity with 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 the review

Our review has been performed 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 the interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying certain analytical and other review procedures. The scope of a limited review is substantially more restricted than the scope of an audit and, therefore, it does not provide assurance that all significant matters that might be identified in an audit will be revealed to us. Therefore, we do not express an audit opinion on the accompanying interim financial statements.

#### Conclusion

As a result of our limited review, which at no time should be regarded as an audit of accounts, nothing has come to our attention which leads us to conclude that the accompanying interim financial statements for the six-month period ended 30 June 2014 have not been prepared, in all material aspects, in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, adopted by the European Union, in conformity with Article 12 of Royal Decree 1362/2007, for the preparation of condensed interim financial statements.

#### Emphasis paragraph

We draw attention as mentioned in the accompanying Note 2, which indicates that the aforementioned interim financial statements do not include all the information that would be required for complete consolidated financial statements prepared under the International Financial Reporting Standards adopted by the European Union, and therefore the accompanying interim financial statements should be read together with the Group’s consolidated annual accounts for the year ended 31 December 2014.

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## **Report on other legal and regulatory requirements**

The accompanying consolidated interim Director's Report for the six-month period ended 30 June 2015 contains the explanations that the directors of the Parent company considers appropriate on the significant events occurring during that period and their impact on the interim financial statements presented, of which it does not form part, as well as on the information required in conformity with Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in the aforementioned Director's Report is in agreement with that of the interim financial statements for the six-month period ended 30 June 2015. Our work is limited to checking the director's report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the consolidated companies' accounting records.

## **Other issues**

This report has been prepared at the request of the management of Técnicas Reunidas, S.A. in relation to the publication of the half-yearly financial report required under Article 35 of Law 24/1988, of 28 July, developed by Royal Decree 1362/2007 of 19 October.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by  
Rafael Pérez Guerra  
Partner

30 July 2015

*This version of the consolidated condensed interim financial statements is a free translation from the original, which is prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the annual accounts takes precedence over this translation.*

## **TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES**

Condensed Interim Consolidated Financial Statements  
and Directors' Report for  
the six month period ended 30 June 2015

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for Técnicas Reunidas, S.A. and Subsidiaries**

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**TECNICAS REUNIDAS, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED INTERIM BALANCE SHEET AS OF 30 JUNE 2015 AND 31**  
**DECEMBER 2014**  
**(Thousands euro)**

|  | Notes       | At 30 June<br>2015 | At 31<br>December<br>2014 |
|--|-------------|--------------------|---------------------------|
| <b>ASSETS</b>  |             |                    |                           |
| <b>Non-current assets</b>                              |             |                    |                           |
| Property, plant and equipment                          | <b>9</b>    | 52,976             | 52,085                    |
| Goodwill   | <b>9</b>    | 1,242              | 1,242                     |
| Other intangible assets                                | <b>9</b>    | 60,813             | 60,404                    |
| Investments in associates                              |             | 15,741             | 14,589                    |
| Deferred income tax assets                             |             | 109,983            | 81,889                    |
| Available-for-sale financial assets                    | <b>10.a</b> | 1,010              | 1,010                     |
| Derivative financial instruments                       | <b>10.a</b> | 2,501              | 2,252                     |
| Receivables and other assets                           | <b>10.a</b> | 15,173             | 15,126                    |
|  |             | <b>259,439</b>     | <b>228,597</b>            |
| <b>Current assets</b>                                  |             |                    |                           |
| Inventories  |             | 21,581             | 23,262                    |
| Trade and other receivables                            |             | 1,907,663          | 1,436,872                 |
| Other financial assets                                 |             | 20,736             | 23,264                    |
| Derivative financial instruments                       | <b>10.a</b> | 31,598             | 35,054                    |
| Financial assets at fair value through profit or loss. | <b>10.a</b> | 64,371             | 63,212                    |
| Cash and cash equivalents                              |             | 474,932            | 628,367                   |
|  |             | <b>2,520,881</b>   | <b>2,210,031</b>          |
| <b>Total assets</b>                                    |             | <b>2,780,320</b>   | <b>2,438,628</b>          |

**Notes 1 to 17 in the accompanying Notes to the Financial Statements form an integral part of these Consolidated Condensed Interim Financial Statements.**

**TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED INTERIM BALANCE SHEET AS OF 30 JUNE 2015 AND 31**  
**DECEMBER 2014**  
**(Thousands euro)**

|  | Notes | At 30<br>June<br>2015 | At 31<br>December<br>2014 |
|--|-------|-----------------------|---------------------------|
| <b>EQUITY</b>  |       |                       |                           |
| <b>Capital and reserves attributable to owners of the parent</b> |       |                       |                           |
| Share capital  | 11    | 5,590                 | 5,590                     |
| Share premium  |       | 8,691                 | 8,691                     |
| Treasury shares  | 11    | (76,352)              | (73,371)                  |
| Other reserves   |       | 1,137                 | 1,137                     |
| Hedging reserve  |       | (86,816)              | (49,255)                  |
| Cumulative translation differences                               |       | (18,033)              | (18,307)                  |
| Retained earnings  |       | 604,287               | 614,288                   |
| Interim dividend   |       | -                     | (35,846)                  |
|  |       | <b>438,504</b>        | <b>452,927</b>            |
| <b>Equity attributable to owners of the parent</b>               |       | <b>438,504</b>        | <b>452,927</b>            |
| <b>Non-controlling interests</b>                                 |       | <b>3,463</b>          | <b>2,905</b>              |
| <b>Total equity</b>  |       | <b>441,967</b>        | <b>455,832</b>            |
| <b>LIABILITIES</b>   |       |                       |                           |
| <b>Non-current liabilities</b>                                   |       |                       |                           |
| Borrowings   | 10.d  | 22,241                | 23,651                    |
| Derivative financial instruments                                 | 10.b  | 19,116                | 20,852                    |
| Deferred income tax liabilities                                  |       | 33,597                | 39,178                    |
| Other payables   | 10.b  | 537                   | 375                       |
| Other liabilities  | 10.b  | 539                   | 538                       |
| Employee benefit obligations                                     |       | 6,464                 | 10,449                    |
| Provisions for liabilities and charges                           | 12    | 23,766                | 36,796                    |
|  |       | <b>106,260</b>        | <b>131,839</b>            |
| <b>Current liabilities</b>                                       |       |                       |                           |
| Trade payables   |       | 1,895,838             | 1,653,636                 |
| Current tax liabilities  |       | 65,758                | 49,068                    |
| Borrowings   | 10.d  | 80,729                | 3,764                     |
| Derivative financial instruments                                 | 10.b  | 137,987               | 103,533                   |
| Other payables   | 10.b  | 50,680                | 39,354                    |
| Provisions for liabilities and charges                           |       | 1,101                 | 1,602                     |
|  |       | <b>2,232,093</b>      | <b>1,850,957</b>          |
| <b>Total liabilities</b>   |       | <b>2,338,353</b>      | <b>1,982,796</b>          |
| <b>Total equity and liabilities</b>                              |       | <b>2,780,320</b>      | <b>2,438,628</b>          |

Notes 1 to 17 in the accompanying Notes to the Financial Statements form an integral part of these Consolidated Condensed Interim Financial Statements.

**TECNICAS REUNIDAS, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT FOR THE SIX MONTH**  
**PERIODS ENDED 30 JUNE 2015 AND 2014**  
**(Thousands euro)**

|   | Notes     | Six month period ended<br>30 June |               |
|---|-----------|-----------------------------------|---------------|
|   |           | 2015                              | 2014          |
| Revenue   |           | 1,883,617                         | 1,478,660     |
| Change in inventories   |           | 510                               | 1,011         |
| Raw materials and consumables   |           | (1,252,857)                       | (961,602)     |
| Employee benefit expense  |           | (277,288)                         | (243,224)     |
| Depreciation/amortisation and impairment charges                                      | <b>9</b>  | (7,558)                           | (5,650)       |
| Lease and royalty expenses  |           | (22,849)                          | (23,805)      |
| Other expenses  |           | (232,159)                         | (171,604)     |
| Other income  |           | 3,623                             | 1,552         |
| <b>Operating profit</b>   |           | <b>95,039</b>                     | <b>75,339</b> |
| Finance income  |           | 4,690                             | 6,508         |
| Finance expense   |           | (2,445)                           | (2,493)       |
| Net exchange differences  |           | 2,088                             | 445           |
| <b>Financial income/(expense)</b>   |           | <b>4,333</b>                      | <b>4,460</b>  |
| Share in profit/(loss) of associates  |           | 995                               | (485)         |
| <b>Profit before taxes</b>  |           | <b>100,367</b>                    | <b>79,314</b> |
| Income tax expense  | <b>8</b>  | (25,293)                          | (12,770)      |
| <b>Profit for the period</b>  |           | <b>75,074</b>                     | <b>66,544</b> |
| <b>Attributable to:</b>   |           |                                   |               |
| Owners of the parent  |           | 74,516                            | 67,047        |
| Non-controlling interests   |           | 558                               | (503)         |
| <b>Basic and diluted earnings per share attributable to the owners of the parent.</b> | <b>11</b> | 1,39                              | 1,25          |

Notes 1 to 17 in the accompanying Notes to the Financial Statements form an integral part of these Consolidated Condensed Interim Financial Statements.

**TECNICAS REUNIDAS, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2015 AND 2014**  
**(Thousands euro)**

|  | Six month period ended<br>30 June |               |
|--|-----------------------------------|---------------|
|  | 2015                              | 2014          |
| <b>Profit for the period</b>   | <b>75,074</b>                     | <b>66,544</b> |
| <b>Other comprehensive income</b>  |                                   |               |
| <i>Items that will not be reclassified to profit or loss</i>               | -                                 | -             |
| <b>Total items that will not be reclassified to profit or loss</b>         | <b>-</b>                          | <b>-</b>      |
| <i>Items that may be reclassified subsequently to profit or loss</i>       |                                   |               |
| Cash flow hedges, net of taxes   | (37,561)                          | 1,396         |
| Foreign currency translation differences                                   | 274                               | 673           |
| <b>Total items that may be reclassified subsequently to profit or loss</b> | <b>(37,287)</b>                   | <b>2,069</b>  |
| <b>Total comprehensive income for the period</b>                           | <b>37,787</b>                     | <b>68,613</b> |
| <b>Attributable to:</b>  |                                   |               |
| - Owners of the parent   | 37,229                            | 69,116        |
| - Non-controlling interests  | 558                               | (503)         |
| <b>Total comprehensive income for the period</b>                           | <b>37,787</b>                     | <b>68,613</b> |
| Total comprehensive income for the period from:                            |                                   |               |
| - Continued operations   | 37,787                            | 68,613        |
| - Discontinued operations  | -                                 | -             |
|  | <b>37,787</b>                     | <b>68,613</b> |

The amounts shown in the above consolidated condensed interim statement of comprehensive income are presented net of taxes.

Notes 1 to 17 in the accompanying Notes to the Financial Statements form an integral part of these Consolidated Condensed Interim Financial Statements.

**TECNICAS REUNIDAS, S.A. AND SUBSIDIARIES**

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2015 AND 2014**

(Thousands euro)

|   | Share capital | Share premium | Treasury shares | Other reserves | Hedging reserve | Cumulative translation differences | Retained earnings | Interim dividend | Non-controlling interests | Total equity   |
|---|---------------|---------------|-----------------|----------------|-----------------|------------------------------------|-------------------|------------------|---------------------------|----------------|
| <b>Balance at 1 January 2014</b>                        | <b>5,590</b>  | <b>8,691</b>  | <b>(73,371)</b> | <b>1,137</b>   | <b>(4,386)</b>  | <b>(25,121)</b>                    | <b>557,790</b>    | <b>(35,846)</b>  | <b>4,036</b>              | <b>438,520</b> |
| Comprehensive income for the period ended 30 June 2014. | -             | -             | -               | -              | 1,396           | 673                                | 67,047            | -                | (503)                     | 68,613         |
| Transactions in treasury shares, net                    | -             | -             | -               | -              | -               | -                                  | -                 | -                | -                         | -              |
| Distribution against 2013 profits                       | -             | -             | -               | -              | -               | -                                  | (75,000)          | 35,846           | -                         | (39,154)       |
| Other changes in equity                                 | -             | -             | -               | -              | -               | -                                  | -                 | -                | -                         | -              |
| <b>Balance at 30 June 2014 (unaudited)</b>              | <b>5,590</b>  | <b>8,691</b>  | <b>(73,371)</b> | <b>1,137</b>   | <b>(2,990)</b>  | <b>(24,448)</b>                    | <b>549,837</b>    | <b>-</b>         | <b>3,533</b>              | <b>467,979</b> |
| <b>Balance at 1 January 2015</b>                        | <b>5,590</b>  | <b>8,691</b>  | <b>(73,371)</b> | <b>1,137</b>   | <b>(49,255)</b> | <b>(18,307)</b>                    | <b>614,288</b>    | <b>(35,846)</b>  | <b>2,905</b>              | <b>455,832</b> |
| Comprehensive income for the period ended 30 June 2015. | -             | -             | -               | -              | (37,561)        | 274                                | 74,516            | -                | 558                       | 37,787         |
| Transactions in treasury shares, net                    | -             | -             | (2,981)         | -              | -               | -                                  | 2,964             | -                | -                         | (17)           |
| Distribution against 2014 profits                       | -             | -             | -               | -              | -               | -                                  | (75,000)          | 35,846           | -                         | (39,154)       |
| Adquisition of non-controlling                          | -             | -             | -               | -              | -               | -                                  | (12,481)          | -                | -                         | (12,481)       |
| <b>Balance at 30 June 2015 (unaudited)</b>              | <b>5,590</b>  | <b>8,691</b>  | <b>(76,352)</b> | <b>1,137</b>   | <b>(86,816)</b> | <b>(18,033)</b>                    | <b>604,287</b>    | <b>-</b>         | <b>3,463</b>              | <b>441,967</b> |

**Notes 1 to 17 in the accompanying Notes to the Financial Statements form an integral part of these Consolidated Condensed Interim Financial Statements**

**TECNICAS REUNIDAS, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT FOR THE SIX MONTH**  
**PERIODS ENDED 30 JUNE 2015 AND 2014 (Thousands euro)**

|   | Six month period ended 30<br>June |                 |
|---|-----------------------------------|-----------------|
|   | 2015                              | 2014            |
| <b>Cash flows from operating activities</b>               |                                   |                 |
| Profit for the period                                     | 75,074                            | 66,544          |
| Adjustments for:  |                                   |                 |
| - Taxes   | 25,293                            | 12,770          |
| - Depreciation/amortisation of PPE and intangible assets  | 7,558                             | 5,650           |
| - Change in provisions, net                               | (13,531)                          | (10,187)        |
| - Share in (profit)/loss of associates                    | (995)                             | 485             |
| - Changes in fair value of financial instruments          | (1,159)                           | 5,693           |
| - Interest income   | (4,690)                           | (6,508)         |
| - Interest expense  | 2,445                             | 2,493           |
| - Change in gains/losses on derivatives                   | 22,112                            | 640             |
| - Exchange gains/losses                                   | (2,088)                           | (445)           |
| - Other gains /(losses)                                   | (3,985)                           | 124             |
| Changes in working capital                                |                                   |                 |
| - Inventories   | 1,681                             | (884)           |
| - Trade and other receivables                             | (470,654)                         | (54,491)        |
| - Other financial assets                                  | 5,611                             | 3,423           |
| - Trade payables  | 179,272                           | 67,624          |
| - Other accounts payable                                  | 524                               | 6,329           |
| - Other changes   | 3,606                             | (4,078)         |
| Other flows from operating activities:                    |                                   |                 |
| - Interest paid   | (2,445)                           | (2,493)         |
| - Interest received                                       | 4,690                             | 6,508           |
| - Income taxes paid                                       | (9,249)                           | (3,335)         |
| <b>Net cash from/(used in) operating activities</b>       | <b>(180,930)</b>                  | <b>95,861</b>   |
| <b>Cash flows from investing activities</b>               |                                   |                 |
| Purchases of property, plant and equipment                | (8,330)                           | (9,402)         |
| Purchases of intangible assets                            | (2,683)                           | (938)           |
| Acquisition of associates                                 | (1,500)                           | -               |
| Acquisition of participation interest in dependent        | -                                 | -               |
| <b>Net cash used in investing activities</b>              | <b>(12,513)</b>                   | <b>(10,340)</b> |
| <b>Cash flows from financing activities</b>               |                                   |                 |
| Debt Issue  | 77,280                            | -               |
| Other debts   | (17)                              | 250             |
| Repayment of borrowings                                   | (1,409)                           | (1,805)         |
| Dividends paid  | (35,846)                          | (35,846)        |
| <b>Net cash used in financing activities</b>              | <b>40,008</b>                     | <b>(37,401)</b> |
|   |                                   |                 |
| <b>Net increase/decrease in cash and cash equivalents</b> | <b>(153,435)</b>                  | <b>48,120</b>   |
| <b>Cash and cash equivalents at beginning of the year</b> | <b>628,367</b>                    | <b>590,814</b>  |
| <b>Cash and cash equivalents at end of the year</b>       | <b>474,932</b>                    | <b>638,934</b>  |

## **TECNICAS REUNIDAS, S.A. AND SUBSIDIARIES**

### **NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015**

**Free translation of the consolidated condensed interim financial statements for the six month period ended 30 June 2015 originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.**

#### **1. General information**

Técnicas Reunidas, S.A. (hereinafter the Company) is the parent of the Group and was incorporated on 6 July 1960 as a Public Limited Liability Company. It is entered in the Madrid Mercantile Registry, Volume 1407, Sheet 129, Page 5692 of the Companies Book. The latest adaptation and modification of its Articles of Association are entered into Volume 22573, Section 8, Book 0, Sheet 197, Page M-72319, entry 157. The domicile maintained by Técnicas Reunidas, S.A. is located in Madrid at calle Arapiles, 14. Its main offices are located in Madrid at calle Arapiles 13.

Técnicas Reunidas, S.A. and Subsidiaries (hereinafter the Group) is a Group with the corporate purpose consists of the performance of all classes of engineering services and the construction of industrial plants, including viability or basic and conceptual engineering studies to turnkey engineering, design and construction of large, complex projects, the management of supply, equipment and material deliveries and the construction of plants and related or associated services, such as technical assistance, construction supervision, project management, launch and training. Within its engineering service activity, the Group operates through several lines of business, mainly in the refinery, gas and energy sectors.

All of the shares in Técnicas Reunidas, S.A. (hereinafter the Group) are listed on the four official stock markets in Spain and on the continuous market since 21 June 2006 and forms part of the Ibex35.

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

The financial statements for Técnicas Reunidas, S.A. (Parent Company) and the consolidated financial statements for Técnicas Reunidas, S.A. and Subsidiaries for 2014 were approved by shareholders at a General Meeting held on 25 June 2015.

These consolidated condensed interim financial statements have been prepared and approved by the Board of Directors at a meeting held on 30 July 2015. The consolidated condensed interim financial statements have been submitted to a limited review and have not been audited.

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

#### **2. Basis of presentation**

The consolidated condensed interim financial statements for the six month period ended 30 June 2015 have been prepared in accordance with IAS 34 "Interim financial information" and should be read together with the consolidated financial statements for the year ended 31 December 2014, prepared in accordance with International Financial Reporting Standards adopted as by the European Union (IFRS-EU).

### 3. Accounting policies

Except for the issues mentioned below, the accounting policies applied are uniform with respect to those applied in the 2014 consolidated financial statements.

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

#### 3.1. Mandatory standards, amendments and interpretation for all years starting 1 January 2015:

- IFRIC 21 "Levies"
- IFRS Annual Improvement, Cycle 2011 – 2013. The main amendments incorporated are referred to:
  - IFRS 3 "Business Combinations".
  - IFRS 13 "Valuation of fair value".
  - IAS 40 "Property Investment".

The content of this amendment did not have a significant effect on these Interim financial statements.

#### 3.2. Standards, amendments and interpretations that have not come into effect but can be adopted early for periods beginning on January 1, 2015.

- IAS 19 (Modification) "Defined Benefit Plans: Employee Contributions".
- IFRS Annual Improvements, cycle 2010 – 2012. The main amendments incorporated are referred to:
  - IFRS 2 "Share-Based payments".
  - IFRS 3 "Business Combinations".
  - IFRS 8 "Operating Segments".
  - IFRS 13 "Valuation of fair value".
  - IAS 16 "Property, Plant & Equipment" y NIC 38 "Intangible Assets".
  - IAS 24 "Related Parties Disclosure".

#### 3.3. Standards, amendments and interpretations applied to existing standards that have not been adopted to date by the European Union:

At the date of these consolidated condensed interim financial statements were signed, the IASB and IFRS Interpretations Committee had published the standards, amendments and interpretations indicated below, pending to be adopted by the European Union.

- IFRS 14 "Deferred Regulatory Accounts".
- IFRS 11 (Modification) "Shares Acquisition Accounting in Joint Operations".
- IAS 16 (Modification) y IAS 38 (Modification) "Explanation of acceptable practices in amortization and depreciation".
- IFRS 15 "Ordinary Income from Client Contracts".
- IAS 16 (Modification) y IAS 41 (Modification) "Agriculture: Plants for bearing fruit".
- IFRS 9 "Financial Instruments".
- IAS 27 (Modification) "Equity method in separate Financial Statements".
- IFRS 10 (Modification) y IAS 28 (Modification) "Selling Assets between an investor and his joint business".
- Improvement Projeets, Cycle 2012 – 2014: The main amendments incorporated are:
  - IFRS 5 "Non-current Assets Held for Sale".
  - IFRS 7 "Financial Instruments Disclosure".
  - IAS 19 "Employee Benefits".
  - IAS 34 "Interim financial Information".
- IAS 1 (Modification) "Presentation of Financial Statements".

- IFRS 10 (Modification), IFRS 12 (Modification) y IAS 28 (Modification) "Investment Entities: Applying the consolidation method".

The Group is in the process of analysing the impacts that the new legislation could have on its consolidated financial statements.

#### **4. Estimates**

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

When preparing these consolidated condensed interim financial statements, the important judgments used by management to apply the Group's accounting policies and the key sources of uncertainty within these estimates are the same as those applied in the consolidated financial statements for the year ended 31 December 2014, with the exception of the changes in the estimates to calculate the provision for corporate income tax (see Note 3).

#### **5. Financial risk management**

##### **5.1 Financial risk factors**

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

The consolidated condensed interim financial statements do not include all of the information and breakdowns regarding financial risk management that are mandatory for the annual accounts and therefore they should be read together with the Group's annual accounts for the year ended 31 December 2014 (Note 2).

There have been no changes in the Risk Management Department or in any risk management policy since the end of last year.

##### **5.2 Liquidity risk**

There have been no significant changes in the contractual outflows of cash without discount for liabilities with respect to the end of last year.

##### **5.3 Estimation of fair value**

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

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

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

| <b>At 30 June 2015</b>  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total<br/>balance</b> |
|---|----------------|----------------|----------------|--------------------------|
| <b>Assets</b>   |                |                |                |                          |
| Financial assets at fair value through profit or loss (Note 10)             | 64,371         | -              | -              | 64,371                   |
| Hedging derivatives (Note 10)   | -              | 34,099         | -              | 34,099                   |
| <b>Total assets</b>   | <b>64,371</b>  | <b>34,099</b>  | -              | <b>98,470</b>            |
| <b>Liabilities</b>  |                |                |                |                          |
| Hedging derivatives (Note 10)   | -              | 157,103        | -              | 157,103                  |
| <b>Total liabilities</b>  | -              | <b>157,103</b> | -              | <b>157,103</b>           |
| <br>  |                |                |                |                          |
| <b>At 30 June 2014</b>  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total<br/>balance</b> |
| <b>Assets</b>   |                |                |                |                          |
| Financial assets at fair value through changes in profit and loss (Note 10) | 62,179         | -              | -              | 62,179                   |
| Hedging derivatives (Note 10)   | -              | 11,185         | -              | 11,185                   |
| <b>Total assets</b>   | <b>62,179</b>  | <b>11,185</b>  | -              | <b>73,364</b>            |
| <b>Liabilities</b>  |                |                |                |                          |
| Hedging derivatives (Note 10)   | -              | 11,089         | -              | 11,089                   |
| <b>Total liabilities</b>  | -              | <b>11,089</b>  | -              | <b>11,089</b>            |

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

a) Level-1 financial instruments

The fair value of the financial instruments that are traded on active markets is based on listed market prices at the balance sheet date. A market is considered to be active when the quoted prices are readily and regularly available through a stock market, financial brokers, industry institution, a pricing service or a regulatory entity and those prices reflect current market transactions on an arm's length basis. The quoted market price used for the financial assets held by the Group is the current bid price. These instruments are included in level 1.

a) Level-2 financial instruments

The fair value of financial instruments that are not listed on an active market (e.g., OTC derivatives) is determined by using valuation techniques. The measurement techniques maximize the use of observable market information that is available and are based as little as possible on specific estimates made by the companies. If the significant inputs that are required to calculate the fair value of an instrument are observable, the instrument is included in level 2.

Specific financial instrument valuation techniques include:

Listed market prices or prices established by financial intermediaries for similar instruments.  
The fair value of interest rate swaps is calculated as the present value of estimated future cash flows, based on estimated yield curves.

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

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

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

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

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

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

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

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

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

There have been no significant changes in 2015 and 2014 in economic circumstances or the business that affect the fair value of the Group's financial assets and liabilities.

There have been no reclassifications of financial assets or transfers between levels in 2015 or 2014.

## **6. Seasonality of operations**

The Group's activities are not seasonal.

## 7. Segment information

The breakdown of ordinary revenue and profits by business segment for the six month periods ended 30 June 2015 and 2014 is as follows:

|   | Six month period ended<br>30 June 2015 |              |                                     |                 | Group            |
|---|--|--------------|-------------------------------------|-----------------|------------------|
|   | Oil and<br>gas                         | Energy       | Infrastructure<br>and<br>Industries | Unallocated     |                  |
| <b>Revenue</b>                          | 1,660,363                              | 169,935      | 53,271                              | 48              | <b>1,883,617</b> |
| <b>Operating profit</b>                 | 126,148                                | 9,251        | (1,032)                             | (39,328)        | <b>95,039</b>    |
| Net finance income                      | -                                      | -            | -                                   | 4,333           | 4,333            |
| Share in profit (loss)<br>of associates | -                                      | -            | -                                   | 995             | 995              |
| <b>Profit before taxes</b>              | <b>126,148</b>                         | <b>9,251</b> | <b>(1,032)</b>                      | <b>(33,952)</b> | <b>100,367</b>   |
| Income tax expense                      | -                                      | -            | -                                   | (25,293)        | (25,293)         |
| <b>Profit for the period</b>            | <b>126,148</b>                         | <b>9,251</b> | <b>(1,032)</b>                      | <b>(59,245)</b> | <b>75,074</b>    |

|   | Six month period ended<br>30 June 2014 |                |                                     |                 | Group            |
|---|--|----------------|-------------------------------------|-----------------|------------------|
|   | Oil and<br>gas                         | Energy         | Infrastructure<br>and<br>Industries | Unallocated     |                  |
| <b>Revenue</b>                          | 1,404,666                              | 29,471         | 44,523                              | -               | <b>1,478,660</b> |
| <b>Operating profit</b>                 | 136,809                                | (2,718)        | (6,252)                             | (52,500)        | <b>75,339</b>    |
| Net finance income                      | -                                      | -              | -                                   | 4,460           | 4,460            |
| Share in profit (loss)<br>of associates | -                                      | -              | -                                   | (485)           | (485)            |
| <b>Profit before taxes</b>              | <b>136,809</b>                         | <b>(2,718)</b> | <b>(6,252)</b>                      | <b>(48,525)</b> | <b>79,314</b>    |
| Income tax expense                      | -                                      | -              | -                                   | (12,770)        | (12,770)         |
| <b>Profit for the period</b>            | <b>136,809</b>                         | <b>(2,718)</b> | <b>(6,252)</b>                      | <b>(61,295)</b> | <b>66,544</b>    |

Revenues by geographic area for the six month periods ended 30 June 2015 and 2014:

|               | <b>Six month period ended</b> |                         |
|---------------|-------------------------------|-------------------------|
|               | <b>2015</b>                   | <b>30 June<br/>2014</b> |
| Spain         | 50,813                        | 29,381                  |
| Middle East   | 498,234                       | 520,852                 |
| America       | 618,337                       | 271,661                 |
| Asia          | 177,280                       | 118,225                 |
| Europe        | 171,295                       | 274,237                 |
| Mediterranean | 367,658                       | 264,304                 |
| <b>Total</b>  | <b>1,883,617</b>              | <b>1,478,660</b>        |

Revenue generated in the Middle East geographic area relates mainly to projects performed in Saudi Arabia and Abu Dhabi; in the Americas area, it mainly includes projects in Canada, Chile and Bolivia; in the Asia area, revenue includes operations in China and Australia; European revenue derives mainly from Russia and Belgium; and revenue in the Mediterranean area relates basically to Turkey and Algeria, among other nations.

During the first half of 2015 and 2014 there have been no changes in the allocations to assets and liabilities by segment compared with December 2014, and relate mainly to the Oil and gas segment.

#### **8. Income tax expense**

Income tax expense is recognised based on management's estimates of the average weighted tax rate for the complete financial year. The annual estimated average tax rate for the year at 31 December 2015 is 25.2% (the estimated tax rate for the six month period ended 30 June 2014 was 16.1%).

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

Movements in this item during the first six months of 2015 and 2014 are as follows:

|  | Thousands euro |                               |                                     |
|--|----------------|-------------------------------|-------------------------------------|
|  | Goodwill       | Other<br>intangible<br>assets | Property,<br>plant and<br>equipment |
| <b>Cost</b>                                  |                |                               |                                     |
| <b>Balances at 1 January 2015</b>            | 1,242          | 76,424                        | 116,902                             |
| Additions                                    | -              | 2,683                         | 8,330                               |
| Disposals and other removals                 | -              | -                             | -                                   |
| Other transfers and other movements          | -              | -                             | -                                   |
| <b>Balances at 30 June 2015</b>              | 1,242          | 79,107                        | 125,232                             |
| <b>Accumulated amortisation/depreciation</b> |                |                               |                                     |
| <b>Balances at 1 January 2015</b>            | -              | 16,020                        | 64,817                              |
| Disposals and other removals                 | -              | -                             | -                                   |
| Charges to income statement                  | -              | 1,435                         | 6,123                               |
| Other transfers and other movements          | -              | 839                           | 1,316                               |
| <b>Balances at 30 June 2015</b>              | -              | 18,294                        | 72,256                              |
| <b>Net assets</b>                            |                |                               |                                     |
| <b>Balances at 1 January 2015</b>            | 1,242          | 60,404                        | 52,085                              |
| <b>Balances at 30 June 2015</b>              | 1,242          | 60,813                        | 52,976                              |

  

|  | Thousands euro |                               |                                     |
|--|----------------|-------------------------------|-------------------------------------|
|  | Goodwill       | Other<br>intangible<br>assets | Property,<br>plant and<br>equipment |
| <b>Cost</b>                                  |                |                               |                                     |
| <b>Balances at 1 January 2014</b>            | 1,242          | 83,634                        | 97,906                              |
| Additions                                    | -              | 937                           | 9,402                               |
| Disposals and other removals                 | -              | -                             | -                                   |
| Other transfers and other movements          | -              | -                             | -                                   |
| <b>Balances at 30 June 2014</b>              | 1,242          | 84,571                        | 107,308                             |
| <b>Accumulated amortisation/depreciation</b> |                |                               |                                     |
| <b>Balances at 1 January 2014</b>            | -              | 13,908                        | 56,104                              |
| Disposals and other removals                 | -              | -                             | -                                   |
| Charges to income statement                  | -              | 1,080                         | 4,570                               |
| Other transfers and other movements          | -              | -                             | 17                                  |
| <b>Balances at 30 June 2014</b>              | -              | 14,988                        | 60,691                              |
| <b>Net assets</b>                            |                |                               |                                     |
| <b>Balances at 1 January 2014</b>            | 1,242          | 69,726                        | 41,802                              |
| <b>Balances at 30 June 2014</b>              | 1,242          | 69,583                        | 46,617                              |

Other intangible assets mainly records the concession assets operated by the Group.

At 30 June 2015 and 31 December 2014 the Group did not have any significant commitments to acquire assets.

During the first six months of 2015 and 2014 there have been no circumstances that indicate the possible existence of the impairment of goodwill.

## 10. Financial instruments

### a) Financial assets

Financial assets (excluding Trade and other receivables and Cash and cash equivalents) at 30 June 2015 and 31 December 2014 are set out below by nature and measurement category:

|   | <b>At 30 June 2015 (Thousands euro)</b>                      |                           |   |                            |
|---|--|---------------------------|---|----------------------------|
| <b>Financial assets:</b>                    | <b>Financial Assets at fair value through profit or loss</b> | <b>Available for sale</b> | <b>Loans and other accounts receivables</b> | <b>Hedging derivatives</b> |
| <b>Nature/Category</b>                      |  |                           |   |                            |
| Equity instruments                          | -  | 1,010                     | -   | -                          |
| Derivatives                                 | -  | -                         | -   | 2,501                      |
| Other financial assets                      | -  | -                         | 15,173                                      | -                          |
| <b>Long-term/non-current</b>                | <b>-</b>   | <b>1,010</b>              | <b>15,173</b>                               | <b>2,501</b>               |
| Equity instruments                          | -  | -                         | -   | -                          |
| Derivatives                                 | -  | -                         | -   | 31,598                     |
| Other financial assets                      | 64,371   | -                         | 20,736                                      | -                          |
| <b>Short-term / current</b>                 | <b>64,371</b>  | <b>-</b>                  | <b>20,736</b>                               | <b>31,598</b>              |
| <b>Total financial assets at 06.30.2015</b> | <b>64,371</b>  | <b>1,010</b>              | <b>35,909</b>                               | <b>34,099</b>              |
|   |  |                           |   |                            |
|   | <b>At 31 December 2014 (Thousands euro)</b>                  |                           |   |                            |
| <b>Financial assets:</b>                    | <b>Financial Assets at fair value through profit or loss</b> | <b>Available for sale</b> | <b>Loans and other accounts receivables</b> | <b>Hedging derivatives</b> |
| <b>Nature/Category</b>                      |  |                           |   |                            |
| Equity instruments                          | -  | 1,010                     | -   | -                          |
| Derivatives                                 | -  | -                         | -   | 2,252                      |
| Other financial assets                      | -  | -                         | 15,126                                      | -                          |
| <b>Long-term/non-current</b>                | <b>-</b>   | <b>1,010</b>              | <b>15,126</b>                               | <b>2,252</b>               |
| Equity instruments                          | -  | -                         | -   | -                          |
| Derivatives                                 | -  | -                         | -   | 35,054                     |
| Other financial assets                      | 63,212   | -                         | 23,264                                      | -                          |
| <b>Short-term / current</b>                 | <b>63,212</b>  | <b>-</b>                  | <b>23,264</b>                               | <b>35,054</b>              |
| <b>Total financial assets at 12.31.2014</b> | <b>63,212</b>  | <b>1,010</b>              | <b>38,390</b>                               | <b>37,306</b>              |

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

a.1) - Measurement adjustments for financial asset impairment

Movements during the first half of 2015 and 2014 in the balance of the asset impairment provisions making up the heading "Trade and other receivables ":

|   | <b>Thousands euro</b>   |                         |
|---|-------------------------|-------------------------|
|   | <b>30 June<br/>2015</b> | <b>30 June<br/>2014</b> |
| <b>Beginning balance in the provision</b> | <b>12,797</b>           | <b>10,858</b>           |
| Charges to income statement:              | -                       | -                       |
| Applications                              | (429)                   | (225)                   |
| <b>Ending balance in the provision</b>    | <b>12,368</b>           | <b>10,633</b>           |

The rest of the financial assets have not become impaired during the first half of 2015 and 2014.

a.2) – Trade and other receivables

Trade receivables includes €1,139,068 thousand (31 December 2014: €729,447 thousand) relating to completed work pending billing, measured on the basis of the accounting criteria set forth in Note 2.20 from Consolidated Annual Accounts for the year ended December 31, 2014.

**b) Financial liabilities**

Financial liabilities (excluding Trade and other payables) at 30 June 2015 and 31 December 2014 are set out below by nature and measurement category:

|   | <b>At 30 June 2015<br/>(Thousands euro)</b> |                                |
|---|---|--------------------------------|
|   | <b>Borrowings<br/>and<br/>payables</b>      | <b>Hedging<br/>derivatives</b> |
| <b>Financial liabilities</b>                                    |   |                                |
| <b>Nature/Category</b>  |   |                                |
| Bank borrowings   | 22,241                                      | -                              |
| Derivatives   | -   | 19,116                         |
| Other financial liabilities                                     | 1,076                                       | -                              |
| <b>Non-current payables / Non-current financial liabilities</b> | <b>23,317</b>                               | <b>19,116</b>                  |
| Bank borrowings   | 80,729                                      | -                              |
| Derivatives   | -   | 137,987                        |
| Other financial liabilities                                     | 50,680                                      | -                              |
| <b>Current payables / Current financial liabilities</b>         | <b>131,409</b>                              | <b>137,987</b>                 |
| <b>Total financial liabilities at 06.30.2015</b>                | <b>154,726</b>                              | <b>157,103</b>                 |

|   | <b>At 31 December 2014<br/>(Thousands euro)</b> |                                |
|---|---|--------------------------------|
|   | <b>Borrowings<br/>and<br/>payables</b>          | <b>Hedging<br/>derivatives</b> |
| <b>Financial liabilities</b>                                    |   |                                |
| <b>Nature/Category</b>  |   |                                |
| Bank borrowings   | 23,651  | -                              |
| Derivatives   | -   | 20,852                         |
| Other financial liabilities                                     | 913   | -                              |
| <b>Non-current payables / Non-current financial liabilities</b> | <b>24,564</b>                                   | <b>20,852</b>                  |
| Bank borrowings   | 3,764   | -                              |
| Derivatives   | -   | 103,533                        |
| Other financial liabilities                                     | 39,354  | -                              |
| <b>Current payables / Current financial liabilities</b>         | <b>43,118</b>                                   | <b>103,533</b>                 |
| <b>Total financial liabilities at 12.31.2014</b>                | <b>67,682</b>                                   | <b>124,385</b>                 |

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

#### **c) Financial hedging derivatives**

Note 2.21 of the Notes to the Group's consolidated financial statements for the year ended 31 December 2014 indicates the criteria used by the Group for hedging activities. There have been no changes in the criteria during the first half of 2015.

The changes arising during the first half of 2015 the headings Hedging derivatives (current and non-current) relate to changes in the measurement of the derivative financial instruments by the Group. There have been no changes in the measurement techniques in the estimate of the fair value of derivative financial instruments. These measurement techniques are those normally used in the market, and the procedure consists of calculating fair value, discounting the associated future cash flows based on the interest rates, exchange rates, volatility and forward price curves in force at the closing date in accordance with the reports prepared by financial experts.

During the first half of 2015 and 2014 there have been no inefficiencies due to foreign currency hedges.

#### **d) Borrowings**

The breakdown of borrowings at 30 June 2015 and 31 December 2014 is as follows:

|                         | <b>At 30 June<br/>2015</b> | <b>At 31<br/>December<br/>2014</b> |
|-------------------------|----------------------------|------------------------------------|
| <b>Non-current</b>      |                            |                                    |
| Bank borrowings         | 22,241                     | 23,651                             |
| <b>Current</b>          |                            |                                    |
| Bank borrowings         | 80,729                     | 3,764                              |
| <b>Total borrowings</b> | <b>102,970</b>             | <b>27,415</b>                      |

Non-current bank borrowings relate mainly to the Group's concession assets. These loans are secured by those concession assets.

The amount of lines of credit not drawn down by the Group at 30 June 2015 total €199,261 thousand (€93,139 thousand at 31 December 2014).

## **11. Equity**

### **Share capital**

At 30 June 2015 and at 31 December 2014 the number of authorised ordinary shares is 55,896,000, each with a par value of €0.10 per share. All issued shares and fully paid in and carry equal voting and dividend rights.

During the first half of the year they have made treasury shares operations. However, the number of treasury shares at June 30, 2015 has not been modified. These operations have generated a gain of 2,981 thousand euros. At June 30, 2015, the treasury shares represent 3.85% of the share capital of the Parent Company (3.85% at December 31, 2014) and totalling 2,154,324 shares (2,154,324 shares at December 31, 2014).

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

### **Dividends reported and paid by the parent company**

The breakdown of the dividends reported and paid by the parent company during the first six months of 2015 and 2014 is as follows:

#### - First half of 2015:

- On 18 December 2014 the Board of Directors approved the payment of 35,846 thousand (€0.667 per share) as the dividend approved and charged against 2014 profits and paid out on 15 January 2015.
- On 25 June 2015, the General Shareholders' Meeting approved the pay-out of a dividend of € 75,000 thousand. On 15 July 2015, a supplementary dividend of € 39,154 thousand (€ 0.729 per share) was paid out, in addition to the interim dividend approved by the Board of Directors on 18 December 2014.

#### - First half of 2014

- On 12 December 2013 the Board of Directors approved the payment of 35,846 thousand (€0.667 per share) as the dividend approved and charged against 2013 profits and paid out on 16 January 2014.
- Shareholders at a General Meeting held on 26 June 2014 approved the payment of a dividend totalling €75,000 thousand. During the second half of 2014 €39,154 thousand (€0.729 per share) as a supplementary dividend, in addition to the interim dividend approved by the Board of Directors at 12 December 2013.

The dividends paid by the parent company during the six month period ended 30 June 2015 and 30 June 2014:

|  | First half of 2015 |                |                         | First half of 2014 |                |                         |
|--|--------------------|----------------|-------------------------|--------------------|----------------|-------------------------|
|  | % par value        | Euro per share | Amount (Thousands euro) | % par value        | Euro per share | Amount (Thousands euro) |
| Ordinary shares  | 667                | 0.667          | 35,846                  | 667                | 0.667          | 35,846                  |
| <b>Total dividends paid</b>                            |                    |                |                         |                    |                |                         |
| a) Dividends charged to profits                        | 667                | 0.667          | 35,846                  | 667                | 0.667          | 35,846                  |
| b) Dividends charged against reserves or share premium | -                  | -              | -                       | -                  | -              | -                       |
| c) Dividends in kind                                   | -                  | -              | -                       | -                  | -              | -                       |

#### Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of ordinary shares for the period. The breakdown of these items in the six month periods ended 30 June 2015 and 2014 is as follows:

|  | <u>At 30 June 2015</u> | <u>At 30 June 2014</u> |
|--|------------------------|------------------------|
| Profit for the period attributable to owners of the parent     | 74,516                 | 67,047                 |
| Weighted average number of ordinary shares in issue (thousand) | 53,742                 | 53,742                 |
| Earnings per share (euro)                                      | 1.39                   | 1.25                   |

The Company did not record any issues of financial instruments that may dilute earnings per share.

#### 12. Provisions for liabilities and charges

Note 23 of the Notes to the Group's consolidated financial statements for the year ended 31 December 2014 indicates the criteria used by the Group to establish these provisions. There have been no changes in the criteria during the first half of 2015. Movements during the six month periods ended 30 June 2015 and 2014 under the heading Non-current provisions are shown below:

**Six month period ended  
at 30 June 2015**

| ITEM                         | Provision for<br>estimated<br>project<br>losses | Provision for<br>project<br>completion | Other<br>provisions | Total<br>provisions<br>for liabilities<br>and charges |
|------------------------------|---|--|---------------------|---|
| <b>Balance at 01.01.2015</b> | <b>3,375</b>                                    | <b>22,421</b>                          | <b>11,000</b>       | <b>36,796</b>   |
| Reversals / Amounts used     | (626)   | (4,404)                                | (8,000)             | (13,030)  |
| Amounts provisioned          | -   | -                                      | -                   | -   |
| <b>Balance at 06.30.2015</b> | <b>2,749</b>                                    | <b>18,017</b>                          | <b>3,000</b>        | <b>23,766</b>   |

**Six month period ended  
at 30 June 2014**

| ITEM                         | Provision for<br>estimated<br>project<br>losses | Provision for<br>project<br>completion | Other<br>provisions | Total<br>provisions<br>for liabilities<br>and charges |
|------------------------------|---|--|---------------------|---|
| <b>Balance at 01.01.2014</b> | <b>5,982</b>                                    | <b>1,748</b>                           | <b>21,836</b>       | <b>29,566</b>   |
| Reversals / Amounts used     | (3,000)   |  | (7,985)             | (10,985)  |
| Amounts provisioned          |   |  |                     |   |
| <b>Balance at 30.06.2014</b> | <b>2,982</b>                                    | <b>1,748</b>                           | <b>13,851</b>       | <b>18,581</b>   |

During the first half of 2015 and 2014 there were no significant changes in the provision for current liabilities and charges.

Movements in provisions are reflected as the net amount of the change in the heading Other operating expenses in the consolidated income statement.

### 13. Related-party transactions

Related-party transactions arising during the Group's normal course of business during the first six months of 2015 and 2014 are as follows:

| Amounts in thousands<br>euro | <b>Six month period ended 30 June 2015</b> |                             |   |                             | Total        |
|------------------------------|--|-----------------------------|---|-----------------------------|--------------|
|                              | Significant<br>shareholders                | Directors and<br>Executives | Group<br>companies or<br>related<br>persons | Other<br>related<br>parties |              |
| Receipt of services:         | -  |                             | 4,671                                       | -                           | 4,671        |
| Finance expense              | 1,446                                      | 1,388                       | -   | -                           | 2,834        |
| <b>Total expenses</b>        | <b>1,446</b>                               | <b>1,388</b>                | <b>4,671</b>                                | <b>-</b>                    | <b>7,505</b> |
| Rendering of services        | -  | -                           | 7,223                                       | -                           | 7,223        |
| Finance income               | 37   | 183                         | 3   | -                           | 223          |
| <b>Total revenues</b>        | <b>37</b>                                  | <b>183</b>                  | <b>7,226</b>                                | <b>-</b>                    | <b>7,446</b> |

| Amounts in thousands<br>euro | Six month period ended 30 June 2014 |                             |   |                             | Total        |
|------------------------------|-------------------------------------|-----------------------------|---|-----------------------------|--------------|
|                              | Significant<br>shareholders         | Directors and<br>Executives | Group<br>companies<br>or related<br>persons | Other<br>related<br>parties |              |
| Receipt of services          | -                                   | -                           | 4,201                                       | -                           | 4,201        |
| Finance expense              | 754                                 | 1,362                       | -   | -                           | 2,116        |
| <b>Total expenses</b>        | <b>754</b>                          | <b>1,362</b>                | <b>4,201</b>                                | <b>-</b>                    | <b>6,317</b> |
| Rendering of services        | -                                   | -                           | 8,273                                       | -                           | 8,273        |
| Finance income               | 26                                  | 280                         | 22  | -                           | 328          |
| <b>Total revenues</b>        | <b>26</b>                           | <b>280</b>                  | <b>8,295</b>                                | <b>-</b>                    | <b>8,601</b> |

| Amounts in thousands<br>euro  | Six month period ended 30 June 2015 |                             |   |                             | Total     |
|---|-------------------------------------|-----------------------------|---|-----------------------------|-----------|
|   | Significant<br>shareholders         | Directors and<br>Executives | Group<br>companies<br>or related<br>persons | Other<br>related<br>parties |           |
| <b>Other transactions</b>   |                                     |                             |   |                             |           |
| Financing, loans and capital<br>contribution agreements<br>(lender) (1) | -                                   | -                           | -   | -                           | -         |
| Guarantees received   | 321,420                             | 815,117                     | -   | -                           | 1,136,537 |
| Other transactions (2)  | -                                   | -                           | -   | -                           | -         |

| Amounts in thousands<br>euro  | Six month period ended 30 June 2014 |                             |   |                             | Total     |
|---|-------------------------------------|-----------------------------|---|-----------------------------|-----------|
|   | Significant<br>shareholders         | Directors and<br>Executives | Group<br>companies<br>or related<br>persons | Other<br>related<br>parties |           |
| <b>Other transactions</b>   |                                     |                             |   |                             |           |
| Financing, loans and capital<br>contribution agreements<br>(lender) (1) | -                                   | -                           | -   | -                           | -         |
| Guarantees received   | 256,419                             | 770,824                     | -   | -                           | 1,027,243 |
| Other transactions (2)  | -                                   | -                           | -   | -                           | -         |

#### - Transactions with the Company's shareholders

This relates to the banking transactions carried out with BBVA Group.

During 2014, the BBVA Group proceeded to the disposal of its 1.5% stake in the company, which meant no longer significant shareholder of the company. Notwithstanding the above, the Directors of the company consider the inclusion of operations with BBVA for the period of 6 months ended June 30, 2015 for comparative purposes in the same period the previous year.

(1) At 30 June 2015, credit lines contracted with the BBVA Group totalled € 30,000 thousand and USD 10,000 thousand (€ 5,000 thousand and USD 10,000 thousand at 30 June 2014), of which € 0 thousand had been utilised (€ 0 thousand at 30 June 2014).

In addition, at 30 June 2015, Técnicas Reunidas Group had contracted with BBVA Group to sell currency totalling USD 514,520 thousand (USD 403,687 thousand at 30 June 2014) and purchases of US dollars for euro amounting to USD 148,293 thousand (USD 42,846 thousand in 2014).

In addition, the Group has opened numerous bank accounts that are necessary to carry out its ordinary business and manages a portion of its cash balances by contracting financial assets through the BBVA Group, not having any significant change in comparison with December 2014.

During the first six months of 2015 and 2014 no transactions were carried out with other Company shareholders (except floating capital).

#### **- Transactions carried out with Group Directors and executives**

Although the Director of Banco Santander has left their post, the Directors of the Company consider the inclusion of operations with Banco Santander for the period of 6 months ended June 30, 2015 for comparative purposes in the same period the previous year.

The transactions carried out with the Santander Group deriving from banking activities are as follows:

(1) At 30 June 2015 the credit facilities arranged with the Santander Group amounted to € 30,000 thousand (€ 19,000 at 30 June 2014), of which € 0 thousand had been used (€ 0 thousand at 30 June 2014).

Additionally, at 30 June 2015 the Técnicas Reunidas group had arranged with the Santander Group sales of USD for other currencies for an amount of USD 415,364 thousand (USD 203,534 thousand at 30 June 2014), and purchases of US dollars for other currencies for an amount of USD 20,100 thousand (USD 26,777 thousand in 2014).

In addition, the Group has opened numerous bank accounts that are necessary to carry out its ordinary business and manages a portion of its cash balances by contracting financial assets through Santander, not having any significant change in comparison with December 2014.

#### **- Transactions carried out with Group Directors and related persons or companies**

Although the Director of Banco Santander has left their post, the Directors of the Company consider the inclusion of operations with Banco Santander for the period of 6 months ended June 30, 2015 for comparative purposes in the same period the previous year.

## 14. Compensation and other benefits for the Parent Company's Board of Directors and Senior Management

### a) Board of Directors' compensation

The breakdown of the compensation received by the members of the Parent Company's Board of Directors in the six month periods ended 30 June 2015 and 2014 is as follows:

|                              | Thousands euro  |                 |
|------------------------------|-----------------|-----------------|
|                              | 30 June<br>2015 | 30 June<br>2014 |
| <b>Compensation</b>          |                 |                 |
| Fixed compensation           | 415             | 329             |
| Variable compensation        | 350             | 350             |
| Per diems                    | 551             | 538             |
| Other Services               | 119             | 52              |
| <b>Total:</b>                | <b>1,435</b>    | <b>1,217</b>    |
| <b>Other benefits</b>        |                 |                 |
| Prepayments                  | -               | -               |
| Life insurance premiums      | 4               | 6               |
| <b>Total other benefits:</b> | <b>4</b>        | <b>6</b>        |

### b) Executive compensation

Remuneration paid to senior management personnel during the six-month period ended 30 June 2015 totalled € 2,602 thousand (€ 2,365 thousand at 30 June 2014).

Advances: No advances were granted to senior management during the first six months of 2015 or 2014.

## 15. Average number of employees

The Group's average payroll for the first six months of 2015 and 2014, broken down by category and gender, is as follows:

|  | Average payroll for the six month period<br>ended 30 June |       |       |       |       |       |
|--|---|-------|-------|-------|-------|-------|
|  | 2015  |       |       | 2014  |       |       |
|  | Men   | Women | Total | Men   | Women | Total |
| Directors and senior executives                        | 21  | 2     | 23    | 21    | 2     | 23    |
| Engineers and university graduates                     | 2,733   | 1,482 | 4,215 | 2,534 | 1,374 | 3,908 |
| Technical engineers, experts<br>and skilled assistants | 1,245   | 485   | 1,730 | 1,155 | 449   | 1,604 |
| Administrative managers                                | 1,200   | 449   | 1,649 | 1,112 | 411   | 1,523 |
| Unskilled assistants                                   | 137   | 282   | 419   | 136   | 265   | 401   |
| Other categories                                       | 441   | 148   | 589   | 415   | 146   | 561   |

|              |              |              |              |              |              |              |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>TOTAL</b> | <b>5,777</b> | <b>2,848</b> | <b>8,622</b> | <b>5,373</b> | <b>2,647</b> | <b>8,020</b> |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|

## 16. Other information

### - Contingencies and guarantees provided

Note 32 of the notes to the consolidated financial statements for the year ended 31 December 2014 provides information regarding contingencies and guarantees provided at that date. At 30 June 2015, the Group has provided guarantees to third parties totalling € 3,132,832 thousand (21 December 2014: €2,980,964 thousand). Group management considers that the provisions recorded in these financial statements at 30 June 2015 reasonably cover the risks relating to litigation, arbitration and claims, without any additional liabilities expected to arise.

Towards the end of the first half of 2015 the Group received the Agreement for the Settlement of Contested Assessments from the Tax Agency for the taxes applicable to it in the period 2008 to 2011. An appeal for reversal was filed against this Agreement amounting to €135 million plus interest on 10 July 15.

The Assessment Settlement Agreement is based on the fact that the Tax Agency disagrees with the criteria upholding the transfer pricing model used on international projects, in both their valuation and the location where the projects are completed. This model was prepared by the Group's management and tax advisors, taking as a basis the Agreed Assessments signed with the Tax Agency in 2010. The discrepancies which mainly affect the Group's joint ventures (UTEs) have not led to penalties being levied by the Tax Agency.

In the opinion of the Company's management and tax advisors, there is an absolute discrepancy between the conclusions drawn by the Tax Agency in the present inspection and those drawn in the previous inspection when the same legislation is applicable to both inspections. Group management is planning to initiate contentious – administrative proceedings unless it obtains a favourable reply to its appeal for reversal. Similarly, the Group's management and advisors consider that the final outcome of this process will not give rise to additional liabilities for the Group.

The Group is party to certain legal disputes in the ordinary course of its business activities (with customers, suppliers, employees or administrative and tax authorities). The Group's external legal advisors consider that the outcome of the disputes will not significantly affect the Group's financial situation. The most significant dispute relates to the Sines project and is explained by the failure to reach an agreement during the final settlement process, after the plant had been accepted and fully paid by the customer.

## 17. Events after the end of the reporting period

Between the closing date of the six month period ended 30 June 2015 and the date these Interim Period Financial Statements were approved, no significant event took place that Management believes that it can significantly affect the Company's business.

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**1. Business evolution**

**1.1 Business evolution in the first half of 2015**

Tecnicas Reunidas, TR, earned an operating profit in the first half of 2015 of 75.1 million euros, 12.9% higher than that achieved in S1 2014. During this period, revenue amounted to 1,883 million of euros, an improvement of 27.4% over the same period last year, driven by a large volume of orders that provides visibility growth for the next years of implementation.

Of the total revenue, 88% related to Oil and Gas projects, which still account for the majority of the Group's turnover, due above all to opportunities in the refining area; 9% derived from Energy generation projects; and 3% from the Infrastructures and Industries area.

Following the trend of geographical diversification in recent years, in the first half it has intensified its presence in key markets such as Abu Dhabi and Kuwait.

**1.2 Evolution of business areas in the first half of 2015**

Each of TR's business areas performed as described below:

**Oil and gas**

The oil and natural gas division continues to be TR's most significant business area. In the first half of 2015, it accounted for 88% of the Group's sales, amounting to € 1,660 million.

This area encompasses refining, petrochemicals and commissioning oil and gas fields for production.

The most relevant new contracts secured during the period were as follows:

**Project GASCO in UAE**

In February, Abu Dhabi Gas Industries Ltd. (GASCO) awarded to Tecnicas Reunidas the contract to execute package 3 of the Expansion of Integrated Gas Development in Abu Dhabi, UAE project. GASCO is owned by ADNOC, Shell and Total society.

The contract was awarded on a turn-key basis and the scope includes engineering, supply of equipment and materials, construction, installation, testing and start-up of several gas processing units, gas pipelines, condenser tubes and all the necessary interconnections.

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The contract is worth approximately USD 700 million and a duration of 40 months. This is the fourth major project that TR will run for ADNOC in UAE.

In May, Kuwait National Petroleum Company (KNPC) awarded Tecnicas Reunidas a contract for the implementation of the fifth gas train (GT5) refinery in Mina Al-Ahmadi.

The contract was awarded on a turn-key basis and the project scope includes engineering, the supply, construction, pre-commissioning and all the services necessary to subsequently commission and test the facilities.

The main project units will be the pre-processing and dehydration units, gas fractionation units and product treatment and recovery units and the interconnection and auxiliary services for operating the gas train. These facilities will process gas in order to produce methane, ethane, propane and petrol. In addition, TR will modernise the Mina Al-Ahmadi refinery in order to improve the safety and operation of the current facilities.

By implementing this strategic project, KNPC will increase the gas treatment capacity to 805 million cubic feet per day of oil wells in Southeast Kuwait (SEK) and northern Kuwait (NK) and additional processing of 106.3 thousand barrels of condensate.

The contract is worth approximately USD 1,400 million and a lead time of 45 months. This new contract represents the fourth project that Tecnicas Reunidas held in Kuwait, whose market has great future investment plans.

Project execution

During the first six months of 2015, the projects that more developed were: Petroperu Talara refinery in Peru, Jizan refinery for Saudi Aramco in Saudi Arabia, STAR refinery in Turkey SOCAR, the Sadara petrochemical complex to Dow Chemical and Saudi Aramco in Saudi Arabia and refinery project for Lukoil Volgograd in Russia.

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First half of 2015

**Energy, infrastructures and industries**

Sales in the area of energy and infrastructure and industries were 222 million euros during the first half of 2015. This amount represents an increase of 12% over the previous year due to the contribution of the projects awarded in 2014.

Project execution

In the first half of 2015, the projects that have experienced more progress in implementation were: cogeneration plant for Suncor Fort Hills, Total and Teck in Canada and the combined cycle for South Node Energy for Enersur in Peru.

**2. Main risks and uncertainties for the second half of 2015**

TR's business is subject to various risks associated with activities in its sector, including raw material price volatility, which affects the prices of equipment and supplies, the capacity of its suppliers to meet orders, availability of engineering, construction and assembly resources, and currency market volatility.

Like any international business, the company is exposed to global economic circumstances or the local market ones. The international financial crisis slows the award and the starting of the projects, requiring longer terms for the financing of certain projects. The falling price of oil associated with the excess of current production, can also influence the timing of new contracts because of the investment priorities of customers based on the production costs of the projects. Also can have significant influence the geopolitical conflicts affecting countries with influence on the activity or energy sector, which may have influence in the evolution of the group's activity, as the example in 2015, with the sanctions against Russia.

Another source of risk for the company may be the presence of new competitors or the intensification of their presence in certain markets. Competitors, especially Asian Korean ones, sometimes offer huge discounts on the prices of other contractors, pushing the company to improve its business strategy and differentiate technically, penetrating in new markets or working with new customers.

Therefore, Tecnicas Reunidas plays a committed risk management, throughout the progress of project implementation; both new contracts, and those whose delivery will take place this year, or are still under warranty.