Audit Report on Interim Condensed Consolidated Financial Statements issued by an Independent Auditor

DURO FELGUERA, S.A. AND SUBSIDIARIES
Interim Condensed Consolidated Financial Statements and Interim Consolidated Management Report for the six months period ended 30 June 2019
(Free translation from the original in Spanish)

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AUDITOR REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and Interim Condensed Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 24)

To the shareholders of DURO FELGUERA, S.A. at the request of the Board of Directors:

Audit report on the Interim Condensed Consolidated Financial Statements

Opinion

We have audited the Interim Condensed Consolidated Financial Statements of DURO FELGUERA, S.A. (the parent company) and its subsidiaries (the Group), which comprise the consolidated balance sheet at June 30, 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the notes thereto, for the six months period ended 30 June 2019.

In our opinion, the accompanying Interim Condensed Consolidated Financial Statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at June 30, 2019 and of its financial performance and its consolidated cash flows, for the six months period ended in accordance with International Accounting Standards (IAS 34 - Interim Financial Reporting), as adopted by the European Union in order to issue interim condensed financial statements.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Interim Condensed Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the Interim Condensed Consolidated Financial Statements as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the Audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw your attention to the matter described in Note 2.h to the accompanying explanatory notes, which explains that restrictions on the availability of cash, the funds needed to complete ongoing projects, and the difficulties to obtain financing may affect the achievement of the Group's strategic plan. In this regard, as explained in the aforementioned note, the Group considers that achieving the strategic plan will require additional financing for the next 12 months, guarantees for projects in the backlog, new hires, as well as the necessary waivers from creditor banks to utilize existing assets and funds.

Domicilio Social: C/Raimundo Fernández Villaverde, 65. 28003 Madrid -Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª, Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

As explained in the abovementioned note, the Group is currently negotiating with financial institutions, its customers, and suppliers to explore new sources of financing and improve its cash position. To date, these negotiations are currently at various stages. In addition, the Group has begun to seek out investors to solidify its equity and cash position. The directors have prepared the accompanying Interim Condensed Consolidated Financial Statements on a going concern basis in accordance with the favorable outlook for the conclusions of the abovementioned processes. These circumstances are indicative of the existence of material uncertainty that could raise significant doubts as to the Group's capacity to continue as a going concern. Our opinion was not modified with respect to this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Interim Condensed Consolidated Financial Statements for the six months ended June 30, 2019. These matters were addressed in the context of our audit of the Interim Condensed Consolidated Financial Statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter discussed under the *"Material uncertainty related to going concern"* section, we determined that the circumstances described below are key audit matters that would require disclosure in our audit report.

Recognition of income from construction contracts

Description

As explained in Note 2.d.g) to the accompanying Interim Condensed Consolidated Financial Statements, revenue from construction contracts are recognized using the stage of completion method, in conformity with the applicable regulatory financial reporting framework.

When applying the stage of completion method, Group management uses significant estimates related to the total necessary costs to execute the contract, as well as the amount of claims or changes in the scope of the project, which are included, where applicable, as additional contract revenue. The estimate associated with these costs is significant and involves the use of complex and highly subjective judgment. Income, total contract costs, and the recognition of revenue may significantly differ from initial estimates, due to new or additional information on overruns and changes in the scope of the project over the term of the project.

Given the uncertainty underlying the process of making the accounting estimates used in recognizing this revenue and the materiality of the related amounts, we determined this to be a key audit matter.

Our response

In relation to this matter, our audit procedures included, among others, the following:

- Gaining an understanding of the processes established by Group management for recognizing revenue derived from construction contracts, including evaluation of the design and implementation of relevant controls and their operational effectiveness.
- Performing substantive tests, selecting a sample of projects based on quantitative and qualitative factors to assess the reasonableness of the Group's hypotheses and assumptions, for which we met with technical personnel, particularly construction managers and those in charge of the principal projects examined.

- For the selected projects, obtaining and reading contracts to understand the most relevant clauses and their implications, in addition to examining budgets as well as follow-up and execution reports for the related projects.
- We analyzed the performance of margins in terms of both variations in sale price and total budgeted costs.
- Obtaining evidence of technical approvals and the statement of economic negotiations related to changes in the contracts and claims being negotiated with customers.
- Checking that the disclosures in the notes to the accompanying Interim Condensed Consolidated Financial Statements related to the recognition of revenue from contracts based on the stage-of-completion method were in conformity with the regulatory financial reporting framework applicable to the Group.

Estimation of impairment losses for the principal past-due receivables

Description

As explained in Note 8 to the accompanying Interim Condensed Consolidated Financial Statements, "Trade balances" and "Other receivables," net of impairment, amounted to 110 million and 132 million euros, respectively. As explained in the aforementioned note, of these amounts, the principal past-due receivables pertain to Termocentro (Venezuela), Tuticorin (India), as well as Matheu y Luján projects (Argentina).

The estimate of impairment loss on these assets requires significant judgments on the part of Management, the relevant principles and criteria of which are provided in Note 2.d.f) to the accompanying Interim Condensed Consolidated Financial Statements. The identification of impaired credit exposures and the determination of recoverable amounts are processes subject to the uncertainty inherent in using hypotheses.

Therefore, estimation of impairment loss allowances for the primary past-due was considered a key audit matter.

Our response

The audit procedures carried out on the principal past-due receivables were, among others, the following:

- Carrying out an itemized review of past-due receivables, analyzing the reasonableness of the hypotheses used by Management to identify and quantify impairment.
- Obtaining confirmation of ongoing litigation from the Group's external and internal legal advisors, as well as their assessment of the risk related to evaluating the recoverability of the India and Argentina projects' past-due receivables under arbitration, as explained in Note 21 to the accompanying Interim Condensed Consolidated Financial Statements. Analyzing, with the involvement of our legal specialists, the reasonableness of the assumptions and hypotheses used by the Group to assess the recoverability of the aforementioned past-due receivables.

- With regard to the Termocentro project in Venezuela, obtaining confirmation of the balance owed by the customer C.A. Electricidad de Caracas (CDC) and reviewing the reasonableness of the principal hypotheses used by Group´s directors, which were based primarily on trends in the quoted prices of Venezuelan sovereign bonds as a market reference, with a view to verifying the reasonableness of the impairment loss recognized in the accompanying Interim Condensed Consolidated Financial Statements.
- Reviewing the disclosures included in the notes to the accompanying Interim Condensed Consolidated Financial Statements in conformity with the regulatory financial reporting framework applicable to the Group.

Lawsuit filed by the Special Prosecution Office for Corruption and Organized Crime

Description

We draw your attention to the matter described in Note 21 to the accompanying Interim Condensed Consolidated Financial Statements, which states that on December 14, 2017, the Parent Company received official notice of the ruling from Madrid Central Court of Instruction No. 2, allowing the lawsuit filed against Dura Felguera, S.A. and others by the Special Prosecution Office for Corruption and Organized Crime, concerning a possible alleged case of corruption of a foreign civil servant or authority, in addition to an alleged money laundering offense in connection with a payment totaling approximately 80.6 million US dollars. Both offenses relate to a contract signed by the Parent Company for the construction and start-up of a combined cycle plant in Venezuela.

As likewise explained in the aforementioned note, it is not possible to determine the likelihood or extent of the possible consequences, which will depend on the outcome of the criminal investigation.

Generally, these proceedings are subject to uncertainty and can take a considerable period of time to resolve, requiring complex estimates on the part of management. Consequently, we determined this to be a key audit matter.

Our response

In relation to this matter, our audit procedures included, among others, the following:

- Updating our understanding of the current status of litigations via meetings with Parent´s Company management.
- Obtaining and analyzing, with the involvement of our legal specialists, the updated legal opinion prepared by the attorney engaged by the Parent Company.
- Reviewing the disclosures included in the notes to the accompanying Interim Condensed Consolidated Financial Statements in conformity with the regulatory financial reporting framework applicable to the Group.

Duro Felguera Australia Pty Ltd. - Transactional agreement with SC&T Corporation

Description

As explained in Note 21 to the Interim Condensed Consolidated Financial Statements, the investee Duro Felguera Australia,Pty Ltd. entered into arbitration proceedings with SC&T Corporation through the Singapore International Court of Arbitration (SIAC) regarding the Roy Hill project. The Singapore International Court of Arbitration (SIAC) issued its partial arbitral award and its award of costs and interest on March 1, and July 9, respectively.

Subsequently, on September 2019, both parties signed a transactional agreement by virtue of which they agreed to cease all disputes between Duro Felguera

Austraila Pty Ltd. and SC&T Corporation, in exchange for compensation paid by the latter, which was paid in full on September 2019, except for 6 million euros, and the extension of a guarantee from the Parent Company to SC&T Corporation. The related accounting effects have been recorded in the accompanying Interim Condensed Consolidated Financial Statements as described in Note 21.

Given the significance of the aforementioned agreement, we determined the analysis and recognition of the related accounting effects to be a key audit matter.

Our response

In relation to this matter, our audit procedures included the following:

- Obtaining and analyzing the arbitral decisions issued on March 1 and July 9, 2019 by the Singapore International Court of Arbitration (SIAC) and the transactional agreement signed between Duro Felguera Austraila Pty Ltd. and SC&T Corporation, as well as reviewing the related accounting effects.
- Analyzing, with the involvement of our legal specialists, the reasonableness of the recorded third-party liabilities, after evaluating the related risks based on the valuation carried out by the Group's external legal advisors.
- Reviewing the disclosures included in the notes to the accompanying Interim Condensed Consolidated Financial Statements in conformity with the regulatory financial reporting framework applicable to the Group.

Emphasis of matter paragraph

We draw your attention to Note 2.a) to the accompanying Interim Condensed Consolidated Financial Statements, where it is stated that the Interim Condensed Consolidated Financial Statements do not include all the disclosures required in a complete set of consolidated interim financial statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union, and therefore should be read in conjunction with the Group's consolidated annual financial statements for the year ended December 31, 2018. Our opinion was not modified with respect to this matter.

Other information: interim consolidated management report

Other information refers exclusively to the interim consolidated management report for the six months period ended June 30, 2019, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the Interim Condensed Consolidated Financial Statements.

Our audit opinion on the Interim Condensed Consolidated Financial Statements does not cover the interim consolidated management report. Our responsibility for the information contained in the interim consolidated management report is defined in prevailing audit regulations, and requires us to evaluate and report on the consistency of said information in the Interim Condensed Consolidated Financial Statements, based on our knowledge of the Group obtained during the audit, and limited to the information gained through audit evidence. Moreover, we are required to evaluate and report on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, the information contained in the interim consolidated management report is consistent with that provided in the Interim Condensed Consolidated Financial Statements for the six months period ended June 30, 2019, and their content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company`s directors and the Audit and Compliance Committee for the Interim Condensed Consolidated Financial Statements

The directors of the parent company are responsible for the preparation of the accompanying Interim Condensed Consolidated Financial Statements in accordance with International Accounting Standards (IAS 34), as adopted by the European Union in order to issue interim condensed financial statements, and for such internal control as they determine is necessary to enable the preparation of Interim Condensed Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Interim Condensed Consolidated Financial Statements, the directors of the parent company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Compliance Committee is responsible for overseeing the preparation and presentation of the Interim Condensed Consolidated Financial Statements.

Auditor´s responsibilities for the Audit of the Interim Condensed Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Interim Condensed Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Interim Condensed Consolidated Financial Statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Interim Condensed Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent´s company directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Interim Condensed Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Interim Condensed Consolidated Financial Statements, including the disclosures, and whether the Interim Condensed Consolidated Financial Statements represent the underlying transactions and events according to International Accounting Standards (IAS 34).

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Interim Condensed Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Compliance Committee of the parent company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Compliance Committee of the parent company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Compliance Committee, we determine those matters that were of most significance in the audit of the Interim Condensed Consolidated Financial Statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Term of engagement

We were appointed as the Group's auditors for 2019 by the shareholders in their general meeting held on May 31, 2019.

Previously, we were appointed as auditors by the ordinary general shareholder´s meeting for three years and we have been carrying out the audit of the financial statements continuously since the financial year beginning on January 1, 2016.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors under No. S0530)

(Signed on the original Spanish version)

José Enrique Quijada Casillas
(Registered in the Official Register of Auditors under No. 15310)

September 30, 2019

DURO FELGUERA, S.A.
AND SUBSIDIARIES

Interim Condensed Consolidated
Financial Statements and Management Report
for the six months ended 30 June 2019

DURO FELGUERA, S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

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DURO FELGUERA, S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
(€ thousand)

ASSETS	**Note**	**At 30 June 2019**	**At 31 December 2018**
Property, plant and equipment	6	38,975	40,263
Investment properties	6	26,877	33,590
Intangible assets	6	15,480	16,727
Investments in associates		20	4,595
Available-for-sale financial assets	4-7	5,477	4,451
Loans and other receivables	7-8	409	982
Deferred tax assets	14	33,891	41,643
NON-CURRENT ASSETS		**121,129**	**142,251**
Non-current assets held for sale	5	9,218	4,254
Inventories		16,644	12,319
Trade and other receivables	7-8	365,760	395,711
Financial receivables	7-8	3	3
Current tax assets		1,128	1,237
Cash and cash equivalents	9	85,681	103,097
CURRENT ASSETS		**478,434**	**516,621**
TOTAL ASSETS		**599,563**	**658,872**

The accompanying notes 1 to 24 are an integral part of the interim condensed consolidated financial statements.

DURO FELGUERA, S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
(€ thousand)

EQUITY AND LIABILITIES	**Note**	**At 30 June 2019**	**At 31 December 2018**
Share capital	10	4,800	48,000
Share premium	10	-	79,152
Accumulated exchange differences		(4,139)	(9,829)
Convertible bonds	10	8,093	8,093
Retained earnings and other reserves		38,192	(80,409)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS		**46,946**	**45,007**
Non-controlling interests		(32,593)	(36,489)
EQUITY		**14,353**	**8,518**
DEFERRED INCOME		**4,030**	**4,260**
Borrowings	7-12	97,220	99,881
Deferred tax liabilities	14	35,964	42,106
Employee benefits	15	1,522	1,517
Provisions for other liabilities and charges	15	6,167	23,174
NON-CURRENT LIABILITIES		**140,873**	**166,678**
Borrowings	7-12	6,809	6,695
Trade and other payables	13	330,366	365,384
Current tax liabilities		7,043	3,658
Employee benefits		9,767	7,404
Provisions for other liabilities and charges	15	86,322	96,275
CURRENT LIABILITIES		**440,307**	**479,416**
TOTAL EQUITY AND LIABILITIES		**599,563**	**658,872**

The accompanying notes 1 to 24 are an integral part of the interim condensed consolidated financial statements.

DURO FELGUERA, S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
(€ thousand)

	Note	Six months ended 30 June	
		2019	**2018 (Unaudited)**
Revenue	3	178,418	222,219
Changes in inventories of finished goods and work in progress		729	292
Cost of sales		(97,411)	(159,365)
Gross profit		**81,736**	**63,146**
Employee benefits expense		(47,878)	(54,201)
Amortisation and depreciation	6	(3,490)	(4,379)
Operating expenses		(41,363)	(40,617)
Other gains/(losses) net	16	19,321	(16,310)
Operating profit/(loss)		**8,326**	**(52,361)**
Net finance income/(cost)		4,428	(4,498)
Gains/(losses) on disposal of financial instruments		-	(4,225)
Share of loss/(profit) of associates		(1,075)	-
Profit/(loss) before tax		**11,679**	**(61,084)**
Income tax expense	17	(6,727)	(1,300)
Profit/(loss) from continuing operations		**4,952**	**(62,384)**
Attributable to:			
Shareholders of the company		820	(54,937)
Non-controlling interests		4,132	(7,447)
		4,952	**(62,384)**
Earnings/(loss) per share for the period from continuing operations attributable to shareholders of the company (€ per share)			
- Basic and diluted		0.0002	(0.38)

The accompanying notes 1 to 24 are an integral part of the interim condensed consolidated financial statements.

DURO FELGUERA, S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT Of COMPREHENSIVE INCOME (€ thousand)

	Six months ended 30 June	
	2019	**2018 (Unaudited)**
Profit/(loss) for the period	**4,952**	**(62,384)**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net gain/(loss) on equity instruments at fair value through other comprehensive income	1,026	-
Revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets	-	(1,708)
Currency translation differences	607	-
Income tax relating to items that will not be reclassified	(409)	427
Items that may be reclassified to profit or loss		
Changes in the fair value available-for-sale financial assets	-	-
Cash flow hedges	-	(1,052)
Currency translation differences	5,393	1,282
Other income and expenses that may be reclassified to profit or loss	(1,709)	(12,650)
Income tax relating to items that may be reclassified to profit or loss	-	263
Other comprehensive income for the period, net of tax	**4,908**	**(13,438)**
Total comprehensive income for the period	**9,860**	**(75,822)**
Attributable to:		
- Shareholders of the company	5,571	(68,810)
- Non-controlling interests	4,289	(7,012)
	9,860	**(75,822)**

The accompanying notes 1 to 24 are an integral part of the interim condensed consolidated financial statements.

DURO FELGUERA, S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (€ thousand)

	Equity attributable to owners of the parent							
	Capital	**Share premium and reserves [1]**	**Treasury shares**	**Retained earnings**	**Other equity instruments**	**Valuation adjustments**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2018	**80,000**	**137,802**	**(87,719)**	**(254,496)**	-	**(26,626)**	**(13,807)**	**(164,846)**
					-			
Profit/(loss) for the period	-	-	-	(54,937)	-	-	(7,447)	(62,384)
Other comprehensive income	-	(1,281)	-	-	-	(12,591)	434	(13,438)
Total comprehensive income	**-**	**(1,281)**	**-**	**(54,937)**	-	**(12,591)**	**(7,013)**	**(75,822)**
Capital increases/(reductions)	(78,560)	70,560	8,000	-	-	-	-	-
Distribution of dividends	-	-	-	-	-	-	(82)	(82)
Transactions with shares or own equity instruments (net)	-	(79,719)	79,719	-	-	-	-	-
Other transactions with equity holders or owners	-	-	-	-	-	-	907	907
Transfers between equity items	-	(254,496)	-	254,496	-	-	-	-
Other changes	-	(1,902)	-	-	-	-	569	(1,333)
Balance at 30 June 2018 (unaudited)	**1,440**	**(129,036)**	**-**	**(54,937)**	-	**(39,217)**	**(19,426)**	**(241,176)**
Balance at 1 January 2019	**48,000**	**(58,564)**	**-**	**99,430**	**8,093**	**(51,952)**	**(36,489)**	**8,518**
			-					
Profit/(loss) for the period	-	-	-	820	-	-	4,132	4,952
Other comprehensive income	-	-	-		-	4,751	157	4,908
Total comprehensive income	**-**	**-**	**-**	**820**	-	**4,751**	**4,289**	**9,860**
Capital increases/(reductions)	(43,200)	43,200	-	-	-	-	-	-
Distribution of dividends	-	-	-	-	-	-	(15)	(15)
Other transactions with equity holders or owners	-	-	-	-	-	-	-	-
Transfers between equity items	-	99,430	-	(99,430)	-	-	-	-
Other changes	-	(3,632)	-	-	-	-	(378)	(4,010)
Balance at 30 June 2019	**4,800**	**80,434**	**-**	**820**	**8,093**	**(47,201)**	**(32,593)**	**14,353**

(1) For the purposes of this statement, "Share premium and reserves" includes the following equity items on the balance sheet: Share premium, reserves, prior-period profit and loss

The accompanying notes 1 to 24 are an integral part of the interim condensed consolidated financial statements.

DURO FELGUERA, S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (€ thousand)

	Six months ended 30 June	
	2019	**2018 (Unaudited)**
Cash flows from operating activities		
Profit/(loss) before tax	11,679	(61,084)
Adjustments for depreciation and amortisation	3,490	4,379
Other adjustments to profit/(loss):	(875)	28,707
Changes in operating assets and liabilities	(39,668)	(14,557)
Interest paid	(2,041)	(4,895)
Income tax received/(paid)	-	-
Net cash flows used in operating activities	**(27,415)**	**(47,450)**
Cash flows from investing activities		
Payments for investments		
Property, plant and equipment, intangible assets and investment properties	(221)	(298)
Proceeds from sale of investments		
Property, plant and equipment, intangible assets and investment properties	6,298	26,735
Other financial assets	-	774
Other cash flows from investing activities		
Interest and dividends received	3,840	616
Net cash flows from investing activities	**9,917**	**27,827**
Cash flows from financing activities		
Proceeds from and payments for equity instruments:		
Other movements	-	-
Proceeds from and payments for financial liability instruments		
Issue	-	1,101
Redemption and repayment	(1,882)	(24,027)
Dividends and interest on other financial instruments paid	-	-
Other cash flows from financing activities		
Other proceeds from/(payments for) financing activities	-	-
Net cash flows from/(used) in financing activities	**(1,882)**	**(22,926)**
Net foreign exchange difference	**351**	**(208)**
Impact of Argentina's consideration as a hyperinflation economy. Loss of purchasing power.	**1,613**	**-**
Net increase/(decrease) in cash and cash equivalents	**(17,416)**	**(42,757)**
Cash and cash equivalents at beginning of period	**103,097**	**90,579**
Cash and cash equivalents at end of period	**85,681**	**47,822**
Components of cash and cash equivalents at end of period		
Cash and banks	47,601	31,245
Other financial assets	38,080	16,577
Total cash and cash equivalents at end of period	**85,681**	**47,822**

The accompanying notes 1 to 24 are an integral part of the interim condensed consolidated financial statements.

1. General information

Duro Felguera, S.A. (the "Company" or the "parent company") and its subsidiaries (collectively the "Duro Felguera Group" or the "Group") were incorporated on 22 April 1900 for an indefinite period as a public limited company (*sociedad anónima*) under the name Sociedad Metalúrgica Duro Felguera, S.A. It changed its name on 25 June 1991 to Grupo Duro Felguera, S.A. and then again on 26 April 2001 to its current name. The parent company's registered office and headquarters are located in Parque Científico Tecnológico, calle Ada Byron 90, Gijón.

Originally designed as an industrial conglomerate that owned and operated various mines, iron and steel plants, docks and power stations, it subsequently underwent an initial transformation, disposing of its facilities, abandoning most of these activities, and shifting its focus towards the construction, manufacture and assembly of capital goods.

Over the last decade it has geared its business towards a variety of activities, the most important of which is the execution, on behalf of customers, of major turnkey industrial projects around the world. Duro Felguera also provides specialised engineering, assembly and heavy industrial machinery and equipment maintenance services. Finally, it has manufacturing facilities for large-scale equipment, although the weight of this business has declined in recent years.

Duro Felguera S.A.'s shares are admitted for listing on the Madrid, Barcelona and Bilbao Stock Exchanges.

The financial years of all Duro Felguera Group companies end on 31 December, except for subsidiary Felguera Gruas India Private Limited, whose financial year ends on 31 March. Duro Felguera, S.A.'s separate and consolidated annual financial statements for 2018 were approved at the Annual General Meeting held on 31 May 2019.

The accompanying interim condensed consolidated financial statements of the Duro Felguera Group for the six months ended 30 June 2019 were prepared in accordance with IAS 34 *Interim Financial Reporting* and authorised for issue by the Board of Directors on 30 September 2019.

2. Basis of presentation and other information

2.a Basis of presentation

The accompanying interim condensed consolidated financial for the six months ended 30 June 2019 were prepared in accordance with IAS 34 *Interim Financial Reporting.* Therefore, they do not include all the disclosures required in a complete set of consolidated financial statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and should be read in conjunction with the Group's consolidated annual financial statements for the year ended 31 December 2018, prepared in accordance with IFRS-EU.

The amounts in the accompanying interim condensed consolidated financial statements are in thousands of euros (€), unless stated otherwise.

2.b Comparative information

For comparative purposes, the interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months ended 30 June 2019 contain information for the six months ended 30 June 2018. The interim condensed consolidated balance sheet as at 30 June 2019 contains information as at 31 December 2018.

2.c Accounting policies

The Group has not early adopted any standard or amendment that is not effective.

Except where indicated otherwise below, the accounting policies used are the same as those applied in the 2018 annual consolidated financial statements.

2.c.1 Standards, amendments and interpretations approved by the European and effective from 1 January 2019

IFRS 16 *Leases:*

IFRS 16 replaces IAS 17 *Leases*, interpretation IFRIC 4 *Determining whether an Arrangement contains a Lease*, interpretation SIC-15 *Operating Leases-Incentives* and interpretation SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The new standard establishes a single on-balance sheet model for lease accounting. A lessee recognises the right to use the underlying asset and a liability to make lease payments. The standard includes two exemptions when recognising rights of use in lessee accounting: leases for which the underlying asset is of low value and short-term leases (i.e., leases with a lease term of 12 months or less).

Under IFRS 16, lessees are required to recognise a lease liability in the consolidated balance sheet measured at the present value of the remaining lease payments and a right-of-use asset measured at an amount equal to the lease liability plus initial direct costs incurred.

Also under IFRS 16, expenses related to these leases are presented as a depreciation charge from the right-of-use assets and finance costs for the lease liabilities. Lessor accounting under IFRS 16 is substantially unchanged. Lessors will continue to classify leases as either operating or finance leases based on the substantial transfer of the risks and rewards incidental to ownership. Therefore, IFRS 16 did not have a significant impact on the leases in which the Group acts as lessor.

The Group has applied the following policies, estimates and criteria:

- IFRS 16 was applied from 1 January 2019 using the modified retrospective method, recognising the cumulative effective of initially applying the standard from the date of initial application without restating comparative data. In addition, the initial right-of-use asset was measured at the amount of the lease liability at 1 January 2019 for all leases.

- The Group applied the lease recognition exemption to leases of low-value assets and short-term leases (i.e., those leases that have a lease term of 12 months or less). It did not apply the standard to intangible assets.

- The Group applied the practical expedient explained in paragraph C3 of IFRS 16, which states that an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application.

- It elected not to account for lease components separately from non-lease components for those assets in which the stand-alone value of these components is not material relative to aggregate value of the lease.

- The Group determined the initial term of each lease as the non-cancellable period of the lease except where it has a unilateral option to extend or terminate the lease and it is reasonably certain that it will exercise that option. In these cases, it will consider the periods covered by the extension or early termination. Given the Group’s operations and the type of assets held under leases, in the vast majority of the cases the lease term is the same as the non-cancellable period (except for certain offices).

The Group's main leases relate to works in progress and mostly have lease terms of less than 12 months or to leases of office equipment (e.g. personal computers, printers, and photocopiers) considered to be of low value. Therefore, IFRS 16 did not have a significant impact for the Group.

Other amendments or interpretations approved by the European Union and effective from 1 January 2019:

Annual improvements to IFRSs – 2015-2017 Cycle

The IASB has amended the following standards:

- *IFRS 3 Business Combinations – Previously held Interests in a joint operation.*
- *IFRS 11 Joint Arrangements – Previously held Interests in a joint operation.*
- *IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity.*
- *IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation.*
- *Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures*
- *Amendments to IFRS 9 - Prepayment Features with Negative Compensation*

Application of these amendments and interpretations has not had a significant effect on the interim condensed consolidated financial statements.

IFRIC 23 *Uncertainty over Income Tax Treatments*.

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation does not apply to taxes or levies outside IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. This interpretation did not have a significant effect on the Group's interim condensed consolidated financial statements.

All mandatory accounting standards and measurement bases that could have a significant effect on the accompanying interim condensed consolidated financial statements were applied in their preparation.

2.c.2 Standards, amendments and interpretations approved by the European Union and effective from 1 January 2020

As at the date of preparation of the accompanying interim financial statements, no new standards, amendments or interpretations effective from 1 January 2020 had been approved.

2.c.3 Standards, amendments and interpretations to standards issued that cannot be early adopted or that have not been adopted by the European Union

At the date of preparation of these interim condensed consolidated financial statements, the IASB and IFRIC had issued the following standards, amendments and interpretations that are pending approval by the European Union:

IFRS 10 (Amendment) and IAS 28 (Amendment) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

IFRS 17 *Insurance Contracts*

IFRS 3 (Amendment) *Definition of a Business*

IAS 1 (Amendment) and IAS 8 (Amendment) *Definition of Material*

The Group is currently analysing the potential impacts of the new standards on its interim condensed consolidated financial statements.

2.c.4 Foreign currency translation

a) Functional and presentation currency

Items included in the interim condensed consolidated financial statements of each of the Group's entities are measured using the currency of the economic environment in which the company operates ('the functional currency'). The consolidated financial statements are presented in euros (€), which is the parent company’s functional and presentation currency.

In the case of a hyperinflationary economy, the procedure explained in d) is followed.

b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation, where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at closing rates are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement under "Finance income and costs”. All other foreign exchange gains and losses are presented in “Other gains/(losses) net”.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

c) *Group companies*

The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet shall be translated at the closing rate at the date of that balance sheet;

(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which came income and expenses are translated at the rate on the dates of the transactions; and

(iii) All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in a foreign operation, and of loans and other instruments in foreign currency designated as hedges of these investments, are recognised in other comprehensive income. On the disposal or partial disposal of the foreign operation, the exchange differences recognised in equity are reclassified to profit and loss as part of the gain or loss recognised on the disposal. As at 30 June 2019, translation differences arose mainly from the subsidiaries in Argentina, Brazil and Australia.

d) *Hyperinflationary economies*

Classification of Argentina as a hyperinflationary economy

Argentina has been classified as a hyperinflationary economy since 2018. The Duro Felguera Group applies the inflation adjustments to companies whose functional currency is the Argentine peso for financial reporting for periods ended as of 1 July 2018. Therefore, the interim consolidated financial statements for the first half of 2018 were not restated and do not include hyperinflation adjustments.

In accordance with IAS 29, the main impacts are:

- Adjustment of the historical cost of the non-monetary assets and liabilities and the various items of equity from the date of acquisition or inclusion in the consolidated balance sheet to the end of the reporting period to reflect the changes in the purchasing power of the currency caused by inflation.
- Inclusion of the gain or loss on the net monetary position caused by the impact of inflation in profit or loss.
- Adjustment of the various items of the statement of cash flows by the general inflation index from the dates they arose, with a balancing entry in net financial results and an offsetting item in the statement of cash flows, respectively.
- Translation of all components of the financial statements of Argentine companies at the closing exchange rate, which at 30 June 2019 was 48.31 Argentine pesos per euro.

The Group does not have any significant fixed assets in Argentina, so the impact of hyperinflation was not significant. The impact was recognised in exchange differences.

The main impacts on the Duro Felguera Group's interim condensed consolidated financial statements for the six months ended 30 June 2019 arising from the above are as follows:

	€ thousand
	30 June 2019
Revenue	154
Operating profit/(loss)	(11)
Profit/(loss) from continuing operations	1,602
Accumulated exchange differences	(1,259)
Impact on equity	343

2.d Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of the interim condensed consolidated financial statements under IFRS requires management to make assumptions and estimates that may affect the accounting policies adopted and the amounts of assets, liabilities, revenues and expenses, and the accompanying disclosures. The estimates and assumptions are based, among other things, on historical experience and other circumstances considered to be reasonable at the reporting date, the result of which forms the basis of judgement about the carrying amounts of assets and liabilities that cannot be readily determined in any other way. Actual results may differ from estimated results. These estimates and judgements are assessed on an ongoing basis.

Some accounting estimates are considered significant if the nature of the estimates and assumptions is material and if the impact on financial position or operating performance is material. The main estimates made by the Group are addressed below.

a) Warranty claims

The Group provides warranties of between one and two years for its projects, mainly in the turnkey project business line. Management estimates the related provision for future warranty claims based on its experience and the degree of complexity of the product, its experience with respect to the customer's quality expectations, and the country risk of the country where the project is carried out.

Factors that could affect the information used to estimate claims include counter-guarantees covering work performed by partner companies.

b) Estimated impairment of goodwill

The Group tests goodwill for impairment annually in accordance with the applicable accounting policy. The recoverable amounts of cash-generating units were determined based on value-in-use calculations. These calculations require the use of estimates.

c) Litigation

The Group sets aside, based on the estimates of its legal advisors, sufficient provisions to cover the forecast outflows of cash which may arise from litigation with the various social agents for the amounts claimed, discounted where they are expected to exceed one year.

d) Income tax and deferred tax assets

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. When the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

e) Useful lives of property, plant and equipment and intangible assets

Group management determines the estimated useful lives and related depreciation and amortisation expenses for its property, plant and equipment, and intangible assets. The useful lives of the assets are estimated in relation to the period in which the assets will generate economic benefits.

The Group reviews the useful lives of the assets at the end of each financial year. If the estimates differ from those made previously, the effect of the change is recognised prospectively, from the year in which the change was made.

f) Receivables and financial assets

The Group estimates the collectibility of outstanding receivables from customers on projects where there are open disputes or ongoing litigation arising from disagreements about the work carried out or breaches of contractual clauses linked to the performance of the assets delivered to customers. The Group also makes estimates to assess the recoverability of available-for-sale financial assets based mainly on the financial health and short-term business outlook of the investee.

g) Revenue recognition

The Group recognises revenue based on the percentage-of-completion method. The stage of completion is calculated as the portion that contract costs incurred bear to the estimated total contract costs. This revenue recognition method is applied only when the outcome of the contract can be estimated reliably and it is probable that the contract will be profitable. When the outcome of the contract cannot be estimated reliably, contract revenue is recognised only to the extent of the recovery of the costs. When it is probable that contract costs will exceed contract revenue, the loss is recognised as an expense immediately. In using the percentage-of-completion method, the Group makes significant estimates regarding the total costs necessary to fulfil the contract. These estimates are reviewed and assessed regularly in order to verify if a loss has been generated and if the percentage-of-completion method can continue to be applied, or it is necessary to re-estimate the expected margin on the project.

During the project, the Group also estimates the probable contingencies related to the increase in the total estimated cost and adjusts the revenue recognition accordingly.

Claims for the Djelfa project amounting to €21.8 million were recognised in relation to contractual costs incurred for the extension of the deadline caused and recognised formally by the customer. Of this amount, the portion related to the recognised stage of completion of the project, of €14.1 million, was recognised as revenue.

The claim was recognised in the second quarter of 2017, in accordance with the following time line of events:

- On 2 April 2017, the customer notified, in writing, its express recognition of the delay of 18 months, 100% attributable to it.

- As a result of this notification, the Group assessed and presented the customer with a claim for approximately €53 million for the excess costs related to the 18-month delay.

- On 27 August 2017, the customer confirmed receipt of the claim and its assessment.

- The cost claim has still not been approved by the customer in writing except as explained in the following paragraph. However, there are certain items of the claim that are required under the contract and must be maintained through the contractually agreed dates. Therefore, the delay confirmed and approved by the customer extends those items by an additional 18 months. As a result, the directors consider that the recognition criteria of IFRS 15 are met. These items relate to the costs of guarantees, the letter of credit, the base camp and storage of the turbines provided by the customer.

- On 27 May 2019, provisional approval was signed for the latest agreement with the customer in which it recognises partial acceptance of the claims submitted (€3.8 million) and technical variations (€2.3million). The remain claims presented are still be assessed, with a firm commitment to reach a definitive agreement by 31 December 2019.

Regarding the Empalme II project, pursuant to the agreement signed with the customer, CFE, the approach was determined for calculating the financial and indirect cost over-runs caused by extending the period of CFE's liability, which the customer recognised expressly. The Group, together with its partner, presented joint claims for a total of 27 million dollars, of which €11.9 million were recognised for the Duro Felguera Group's share as income. Of this amount, €9.5 million were recognised for the portion related to the stable of completion of the project.

These estimates were made on the basis of the best information available at the date of preparation of the accompanying financial statements on the events analysed. However, events may take place in the future that make it necessary to revise these estimates (upwards or downwards). In accordance with IAS 8, this would be done prospectively, with the impact of the change in estimates recognised in the consolidated income statement.

2.e Basis of consolidation

The principles, criteria and methods of consolidation used in the preparation of the accompanying interim condensed consolidated financial statements are consistent with those used in the Group's 2018 annual consolidated financial statements.

The first half of 2019 featured the following exclusions from the scope of consolidation:

	Disposals
GROUP	
	DF Ingeniería Técnica de Proyectos y Sistemas, S.A. Duro Felguera Industrial Projects Consulting Co, Ltd Tanques de Cartagena, S.A.
ASSOCIATES	
	-

Changes in the Group’s consolidation scope in the first half of 2018 were as follows:

	Disposals
GROUP	
	Eólica del Principado, S.A.
ASSOCIATES	
	-

2.f Seasonality of operations

The Group’s business does not show any significant degree of seasonality. Accordingly, the breakdown of revenue is broadly even throughout the year.

2.g Materiality

In accordance with IAS 34, the Group assessed materiality in relation to the financial statements when determining the information to disclose in the various financial statement items and other matters.

2.h Going concern principle

The Group's equity at 30 June 2019 stood at €14,353 thousand (31 December 2018: €8,518 thousand) and the parent company's at €8,298 thousand.

The successful completion of the capital increase and the debt restructuring carried out in 2018 explained in Note 1 to the 2018 annual financial statements had a positive impact on the Group's equity of €340,505 thousand. However, exchange losses arising in the year (mainly in Argentina), coupled with the impact of the provisions and impairments explained in that Note, as well as the impossibility of lodging the related claims in accordance with IFRS 15 (stricter requirements in the standard regarding the recognition of revenue from claims), left the parent company with positive equity at year-end 2018 of €12,140 thousand, but this was less than half of its share capital, leaving it in a situation of dissolution in accordance with article 363 e) of the Corporate Enterprises Act (*Ley de Sociedades de Capital*). In 2019, equity was restored with the reduction of capital by €43,200 thousand approved at the Annual General Meeting held on 31 May 2019, after which share capital amounted to €4,800 thousand (Note 10).

The Group unveiled its strategic plan for 2019/2023 at the Annual General Meeting. The main focus is on cash generation, articulated based on the following principles: self-financing of each project, priority of profitability over growth, efforts to enhance efficiency and control costs, reduce risks and focus the geographic perimeter.

Although the directors are confident of executing the strategic plan, restrictions on the full availability of cash, the need for funds to complete outstanding projects and difficulties raising finance could affect the achievement of the strategic plan and entail risks that, if materialised, could result in:

- difficulties making the planned payments of projects in the backlog and the Group's operating costs;
- potential deviations in project execution, affecting profitability and the pace of progress;
- higher-than-expected overheads;
- difficulties obtaining sufficient guarantees to undertake projects if the line of guarantees envisaged in the syndicated refinancing signed in 2018 is not operational;
- lower order intake than called for in the strategic plan.

The Group estimates that it will need to raise around €50 million of additional funds to carry out the strategic plan over the next 12 months, €80 million of guarantees for projects in the pipeline, sufficient guarantees for approximately 20% of new orders, the necessary waivers from creditor banks to make use of existing assets and funds, and to bring in an industrial partner.

<u>Mitigating factors</u>

The Group has made progress in rolling out the strategic plan by undertaking measures such as adding new guidelines, making organisational changes, starting back up commercial activity, reducing costs and concentrating activity in the Gijón headquarters.

The Group is in negotiations and has several outstanding claims with customers and suppliers at varying stages. While the outcome of these is still uncertain, the aim is to enhance the Group's cash and equity positions.

As explained in Note 23, an agreement was signed with SC&T Corporation that concludes the lawsuits with this company and improves the Group's cash position.

Meanwhile, the Group is in talks with its creditor banks to obtain the necessary guarantees to operate, obtain the required waivers in the 2018 refinancing agreement so it has access to assets and funds, and renegotiate the terms of the 2018 refinancing agreement.

The Group has also begun searching for long-term industrial investors to strengthen its equity and cash positions, and initiated contact with all interested parties, and is seeking to obtain the support necessary to ensure its viability.

The Group is taking all the necessary measures and actions to comply with the milestones described previously. Therefore, the directors have prepared the interim condensed consolidated financial on a going concern basis, considering the favourable outlook for these processes.

3. Segment information

Note 5 to the Group's consolidated financial statements for the year ended 31 December 2018 sets out the criteria used by the Group to define its operating segments.

The information reviewed by the Board of Directors does not include information on segment assets and liabilities or capital expenditure, as this is not considered relevant for decision-making at segment level. Rather, assets and liabilities are assessed from an overall perspective.

Segment information provided to the Board of Directors for the segments for which financial information is reported at 30 June 2019 and 2018 is as follows:

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (€ thousand)

	€ thousand							
	For the six months ended 30 June 2019							
	Energy	Mining & Handling	Oil & Gas	Specialised Services	Manufacturing	Other	Inter-group transactions	GROUP
Revenue from external customers	58,300	61,176	33,091	18,042	4,543	3,266	-	178,418
Inter-segment revenue	742	276	2	11,952	426	11,065	(24,463)	-
Total revenue	59,042	61,452	33,093	29,994	4,969	14,331	(24,463)	178,418
Interest income	51	4,430	24	451	-	10,700	(9,632)	6,024
Interest expense	(3,260)	(653)	(178)	(144)	(40)	(4,317)	4,122	(4,470)
Change in fair value of financial instruments	-	-	-	-	-	2,523	-	2,523
Exchange gains/(losses)	1,691	(29)	29	(221)	23	(1,142)	-	351
EBITDA	(16,092)	23,872	11,678	(1,466)	(2,809)	(9,588)	5,211	10,806
Profit/(loss) before tax	(19,347)	27,604	13,371	(3,319)	(3,790)	(7,289)	4,449	11,679

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (€ thousand)

	€ thousand							
	Six months ended 30 June 2018 (Unaudited)							
	Energy	**Mining & Handling**	**Oil & Gas**	**Specialised Services**	**Manufacturing**	**Other**	**Inter-group transactions**	**GROUP**
Revenue from external customers	83,803	57,028	20,173	40,606	12,560	8,049	-	222,219
Inter-segment revenue	529	961	-	3,991	170	11,742	(17,393)	-
Total revenue	84,332	57,989	20,173	44,597	12,730	19,791	(17,393)	222,219
Interest income	274	28	62	76	1	3,298	(3,123)	616
Interest expense	(1,906)	(729)	(9)	(61)	(94)	(5,219)	3,123	(4,895)
Change in fair value of financial instruments	-	-	-	-	-	(10)	-	(10)
Exchange gains/(losses)	154	779	(234)	(962)	(36)	91	-	(208)
EBITDA	(24,262)	(275)	(18,018)	992	(3,009)	24,963	(28,573)	(48,182)
Profit/(loss) before tax	(25,955)	(1,013)	(18,374)	858	(9,508)	(21,063)	13,971	(61,084)

The amounts included in "Other" relate to income and/or expenses related to companies not allocated to any business area, mainly corporate activities and engineering and systems integration in security and defence, and the industrial, energy and environmental control industries.

"Inter-group transactions" details inter-segment eliminations and adjustments.

The reconciliation of Group EBITDA with the interim condensed consolidated income statement is as follows

	Six months ended 30 June	
	2019	**2018 (Unaudited)**
Operating profit/(loss)	8,326	(52,361)
Amortisation and depreciation	3,490	4,379
Impairment and gains/(losses) on disposal of fixed assets	(1,361)	8
Exchange gains/(losses)	351	(208)
EBITDA	**10,806**	**(48,182)**

EBITDA for the period amounted to a positive €10.8 million, compared to a negative €48.2 million in the first half of last year. The negative figure was due primarily to reviews of the revenue and cost estimates of the main projects under way after reviewing the projects' technical specifications, offers to suppliers and extensions of terms, which gave rise to extraordinary impairments, as explained in the 2018 annual financial statements. This led the Group to engage a third party in 2019 to assess the situation of the projects and set up a specific control unit, with both arriving at the same conclusions.

The Group operates mostly internationally at present. The following table presents the breakdown of revenue at 30 June 2019 and 2018 by geographical area:

	Six months ended 30 June			
Geographical area	**2019**	**%**	**2018 (Unaudited)**	**%**
- Spain	18,564	10.40%	23,499	10.58%
- Latin America	47,473	26.61%	80,406	36.18%
- Europe	72,673	40.73%	65,350	29.41%
- Africa and the Middle East	34,542	19.36%	44,231	19.90%
- Asia Pacific	4,997	2.80%	4,421	1.99%
- Other	169	0.10%	4,312	1.94%
Total	**178,418**	**100%**	**222,219**	**100%**

Through 30 June 2019, segments sales with a single customer representing over 10% of the Group's revenue amounted to €21.6 million in Europe for the Energy segment, €22.9 million and €26.9 million in Europe and Latin America, respectively, for the Mining & Handling segment, and €23.5 million in Europe for the Oil & Gas segment (30 June 2018:

the Energy segment recorded sales totalling €36.7 million in Europe with a single customer that represented more over 10% of total revenue).

Through 30 june 2019 revenues from significant external customers in Belgium, Belarus, Mexico, Romania, Algeria and Spain amounted to €25 million, €22.9 million, €37.1 million, €21.6 million, €22.6 million and €18.6 million, respectively (30 June 2018: €32.8 million, €36.9 million, €33.9 million, €25.4 million and €23.5 million in Algeria, Romania, Mexico, Argentina and Spain, respectively).

4. Financial risk management

4.a Financial risk factors

The Group's operations in the sector and markets expose it to a variety of financial risks: market risk (including foreign currency, interest rate and price risk), credit risk and liquidity risk.

a) Market risk

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk on transactions in foreign currencies, mainly the US dollar (USD) and Australian dollar (AUD), and to a lesser extent, local currencies in emerging countries, the most important of which at present are the Argentine peso (ARP) and Indian rupee (INR). Foreign currency risk arises on future commercial transactions, recognised assets and recognised liabilities.

To manage the foreign currency risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use various methods.

- Most contracts are arranged in "multi-currency", separating the selling price in the various currencies from the expected costs and maintaining the expected margins in euros.

- Financing of working capital relating to each project is denominated in the currency of payment.

Foreign exchange risk arises when future commercial transactions or firm commitments, recognised assets and liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency. The Group's risk management policy is to hedge most of the forecast transactions over the life of each project. However, the operating units are responsible for taking decisions on arranging hedges, using external forward foreign currency contracts, with the involvement of the Group's Treasury Department. Nevertheless, there were no outstanding hedges at 30 June 2019.

(ii) Price risk

Projects that last two or more years initially involve a contract price risk, due to the effect of the increase in costs to be contracted, particularly when operating in the international market in economies with high inflation rates.

At other times, contract or related subcontract prices are denominated in stronger currencies (mainly USD) payable in local currency at the rate ruling on the collection date. These conditions are passed on to subcontractors.

(iii) Cash flow and fair value interest rate risk

As the Group has no significant non-current interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from non-current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on profit or loss of a 10 basis point shift would be an increase/decrease of €71 thousand (2018: €281 thousand).

b) Credit risk

The Group manages credit risk by taking into account the following groupings of financial assets:

- Assets arising from derivative financial instruments and sundry balances included in cash and cash equivalents (Note 9).
- Balances related to trade and other receivables (Note 8).

Derivative financial instruments and transactions with financial institutions included in cash and cash equivalents are arranged with renowned financial institutions. The Group also has policies in place to limit the amount of risk held with respect to any financial institution.

Regarding trade balances and receivables, worth noting is that, given the nature of the business, there is a concentration based on the Group's most important projects. The counterparties are mostly state or multinational corporations, operating primarily in the energy, mining, and oil & gas industries.

Our main customers represent 77% of "Trade and other receivables" at 30 June 2019 (2018: 79%), relating to operations with the type of institutions indicated above. Accordingly, the Group considers that credit risk is extremely limited. In addition to the analysis performed before entering into a contract, the overall position of "Trade and other receivables" is monitored on an ongoing basis, while the most significant exposures (including the type of entities mentioned earlier) are monitored individually.

c) Liquidity risk

Prudent liquidity risk entails maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, an objective of the Group's Treasury Department is to maintain flexibility in funding by maintaining availability under committed credit lines. Management also monitors the forecasts for the Group's liquidity reserves based on estimated cash flows.

Key information on liquidity risk are presented in the following table:

	At 30 June 2019	**At 31 December 2018**
Borrowings and derivatives (Note 12)	104,029	106,576
Less: Cash and cash equivalents (Note 9)	(85,681)	(103,097)
Net financial debt	18,348	3,479
Undrawn credit lines	-	-
Total liquidity shortfall	**18,348**	**3,479**

Of the balance of "Cash and cash equivalents" at 30 June 2019 (Note 9), €25,351 thousand were restricted as they were pledged for the issue of guarantees for projects or cash deposits made in place of project guarantees (2018: €17,256 thousand).

As indicated in Note 2.h, the Group is undertaking a series of strategic measures in 2019 to improve its liquidity.

4.b Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide a return to shareholders and benefits to other equity holders, and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and derivatives, as shown in the interim condensed consolidated balance sheet, less cash and cash equivalents. Total capital is calculated as equity, as shown in the interim condensed consolidated balance sheet, plus net debt.

The gearing ratios at 30 June 2019 and 31 December 2018 were as follows (€ thousand):

	At 30 June 2019	**At 31 December 2018**
Borrowings and derivatives (Note 12)	104,029	106,576
Less: Cash and cash equivalents (Note 9)	(85,681)	(103,097)
Net financial debt	18,348	3,479
Equity	14,353	8,518
Capital and net financial debt	**32,701**	**11,997**
Gearing ratio	**56.11%**	**29.00%**

As explained in Note 12.b, the Group is subject to compliance with the following debt ratio (gross financial debt/ EBITDA) as from the year ended 31 December 2018.

4.c Fair value estimation

The table below provides an analysis of financial instruments measured at fair value, classified by measurement method. The various levels have been defined as follows:

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

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2019.

	€ thousand			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale financial assets:				
- Equity securities	1	5,476	-	5,477
Total assets	**1**	**5,476**	**-**	**5,477**

	€ thousand			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities				
Convertible bonds	-	5,545	-	5,545
Total liabilities	**-**	**5,545**	**-**	**5,545**

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2018.

	€ thousand			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale financial assets:				
- Equity securities	2	4,449	-	4,451
Total assets	**2**	**4,449**	**-**	**4,451**

	€ thousand			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities				
Convertible bonds	-	8,069	-	8,069
Total liabilities	**-**	**8,069**	**-**	**8,069**

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

The fair value of financial instruments traded in active markets (such as securities available for sale) is based on quoted market prices at the reporting date. The quoted market price used for financial assets is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. For long-term debt, quoted market prices and dealer quotes are used. Other techniques, such as discounted cash flows, are used to determine the fair value of the rest of the financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date.

It is presumed that the carrying amount of receivables and payables, less the provision for impairment, is similar to fair value. The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

In 2019, there have been no significant changes in the economic or business circumstances affecting the fair value of the Group's financial assets and financial liabilities.

5. Assets and liabilities classified as held for sale

Breakdown of non-current assets and liabilities held for sale:

	€ thousand	
	At 30 June 2019	**At 31 December 2018**
Assets		
Investments in associates	3,500	-
Property, plant, and equipment (Note 6)	-	4,254
Investment properties (Note 6)	5,718	-
Assets held for sale	**9,218**	**4,254**
Liabilities		
Current financial debt	-	-
Liabilities associated with assets held for sale	**-**	**-**
Net assets directly associated with the disposal group	**9,218**	**4,254**

Under the scope of the non-core asset disposal plan announced by the Group last year, in 2019 the Group has classified the 20% stake in Duro Felguera Rail and other real estate assets as held for sale. These assets were measured at fair value less costs to sell, giving rise to impairment in the six months ended 30 June 2019 of €1,581 thousand. Authorisation by the financial institutions is required for certain of these disposals where the assets are pledged in the refinancing agreement entered into in 2018 or exceed the limit of asset sales allowed in that agreement (Note 12).

At 31 December 2018, assets classified as held for sale related to a hydrocarbon storage plant in Cartagena. The plant was sold on 5 June 2019, with disposal proceeds amounting to €2,188 thousand recognised under "Other gains/(losses) net" in the interim condensed consolidated income statement for the six months ended 30 June 2019.

The Group is proceeding with the announced non-core asset disposal plan, but no firm agreements were signed as at 30 June 2019 requiring the reclassification of any additional assets that meet the criteria.

6. Intangible assets, property, plant and equipment and investment properties

The changes in these balance sheet items in the six months ended 30 June 2019 are as follows:

	€ thousand		
	Intangible assets	**Property, plant and equipment**	**Investment properties**
Cost			
Balances at 1 January 2019	**32,946**	**90,358**	**52,461**
Additions - internally developed	145	-	-
Additions	75	146	-
Assets derecognised due to disposal or other means	(250)	(55)	-
Transfers to non-current assets held for sale (Note 5)	-	-	(8,277)
Transfers and other movements	-	(15)	280
Balances at 30 June 2019	**32,916**	**90,434**	**44,464**
Accumulated amortisation/depreciation			
Balances at 1 January 2019	**(16,219)**	**(49,798)**	**(15,934)**
Provisions charged to profit or loss	(1,412)	(1,818)	(260)
Elimination of depreciation	195	295	-
Transfers to non-current assets held for sale (Note 5)	-	-	1,741
Transfers and other movements	-	168	(197)
Balances at 30 June 2019	**(17,436)**	**(51,153)**	**(14,650)**
Impairment losses			
Balances at 1 January 2019	**-**	**(297)**	**(2,937)**
Provisions for impairment	-	(9)	(818)
Transfers to non-current assets held for sale (Note 5)	**-**	**-**	818
Balances at 30 June 2019	**-**	**(306)**	**(2,937)**
Intangible assets, property, plant and equipment and investment properties, net			
Balances at 1 January 2019	**16,727**	**40,263**	**33,590**
Balances at 30 June 2019	**15,480**	**38,975**	**26,877**

The main movements in the six months ended 30 June 2019 related to transfers of non-core real estate assets (Note 5) to non-current assets held for sale.

Intangible assets include goodwill of €3,286 thousand (2018: €3,286 thousand) arising on the acquisition of Epicom, S.A.

As at year-end 2018, there were no commitments to purchase assets at 30 June 2019.

As described in Note 22, at 30 June 2019, there were investment properties and items of property, plant and equipment amounting to €17,010 thousand guaranteeing agreements for suspension of the assessments of VAT, personal income tax and income tax-related party transactions (2018: €17,010 thousand).

The movement in these consolidated balance sheet items in 2018 was as follows:

	€ thousand		
	Intangible assets	**Property, plant and equipment**	**Investment properties**
Cost			
Balances at 1 January 2018	**35,781**	**154,887**	**44,184**
Additions - internally developed	537	-	-
Additions	41	671	-
Transfers to non-current assets held for sale (Note 5)	(3,384)	(52,015)	-
Assets derecognised due to disposal or other means	(29)	(4,951)	-
Transfers and other movements	-	(8,234)	8,277
Balances at 31 December 2018	**32,946**	**90,358**	**52,461**
Accumulated amortisation/depreciation			
Balances at 1 January 2018	**(16,607)**	**(77,151)**	**(13,847)**
Provisions charged to profit or loss	(2,899)	(4,784)	(369)
Elimination of depreciation	15	1,822	-
Transfers to non-current assets held for sale (Note 5)	3,272	20,357	-
Transfers and other movements	-	9,958	(1,718)
Balances at 31 December 2018	**(16,219)**	**(49,798)**	**(15,934)**
Impairment losses			
Balances at 1 January 2018	**-**	**(1,039)**	**(2,937)**
Provisions for impairment	-	(17)	-
Reversal of impairment losses	-	644	-
Transfers to non-current assets held for sale (Note 5)	-	115	-
Balances at 31 December 2018	**-**	**(297)**	**(2,937)**
Intangible assets, property, plant and equipment and investment properties, net			
Balances at 1 January 2018	**19,174**	**76,697**	**27,400**
Balances at 31 December 2018	**16,727**	**40,263**	**33,590**

7. Financial instruments

a) Financial assets

The breakdown of financial assets at 30 June 2019 and 31 December 2018, by nature of the asset and category, is as follows:

	€ thousand		
30 June 2019	**Amortised cost**	**Fair value through OCI**	**TOTAL**
On-balance sheet assets			
- Equity instruments	-	5,477	5,477
- Receivables and other financial assets	322,900	-	322,900
Total	**322,900**	**5,477**	**328,377**

	€ thousand		
31 December 2018	**Amortised cost**	**Fair value through OCI**	**TOTAL**
On-balance sheet assets			
- Equity instruments	-	4,451	4,451
- Receivables and other financial assets	354,295	-	354,295
Total	**354,295**	**4,451**	**358,746**

b) Financial liabilities

The breakdown of financial liabilities at 30 June 2019 and 31 December 2018, by nature of the liability and category, is as follows:

	€ thousand		
30 June 2019	**Fair value through profit or loss**	**Debts and payables (amortised cost)**	**TOTAL**
On-balance sheet liabilities			
- Bank borrowings (Note 12)	-	85,000	85,000
- Convertible bonds	5,545	-	5,545
- Other financial liabilities	-	327,697	327,697
Total	**5,545**	**412,697**	**418,242**

	€ thousand		
31 December 2018	**Fair value through profit or loss**	**Debts and payables (amortised cost)**	**TOTAL**
On-balance sheet liabilities			
- Bank borrowings (Note 12)	-	87,321	87,321
- Convertible bonds	8,069	-	8,069
- Other financial liabilities	-	359,713	359,713
Total	**8,069**	**447,034**	**455,103**

8. Trade and other receivables

	€ thousand	
	At 30 June 2019	**At 31 December 2018**
Trade receivables	191,908	215,165
Less: Provision for impairment of receivables	(81,519)	(83,023)
Completed work pending certification	78,172	77,424
Other receivables	132,293	143,032
Tax refundable	43,272	42,401
Advance payments	1,682	1,694
Receivables from related parties	361	-
Total	366,169	396,693
Less: Non-current portion of other receivables	(409)	(982)
Current portion	**365,760**	**395,711**

The balances of trade and other receivables do not differ from their fair values.

A breakdown of the annual maturities of the balances included in the non-current portion is as follows:

Maturity	€ thousand	
	At 30 June 2019	**At 31 December 2018**
2020	11	513
2021	334	405
Subsequent years	64	64
Total, non-current	**409**	**982**

At 30 June 2019, in addition to receivables provisioned, receivables amounting to €59,638 thousand had fallen due (2018: €98,303 thousand). Balances less than six months past due are not impaired, as these accounts correspond to customers for whom there is no recent history of default. Balances more than six months past due, which relate to projects in progress, are also not considered to be impaired.

The most important past-due balances relate to:

1) Termocentro (Venezuela)

This includes the past-due balance, net of provisions, related to the Termocentro project in progress for €16,761 thousand (2018: €16,291 thousand). No amounts related to this project were received between February 2017 and the date of authorisation for issue of the accompanying interim condensed consolidated financial statements. In its assessment of the recoverability of the receivable and taking into account the expected credit loss, the Group considered:

- The entire amount of outstanding balances, including the amount of completed work pending certification and the provision for the withholding to be applied to the customer.
- Since the customer is a public institution, the payable was equated to Venezuela sovereign debt.
- The average yield for the last nine months of 12 Venezuelan government bonds, of 27.52%.
- The confirmation from the customers on 6 August 2019 of the full amounts invoiced and pending payment.

Based on these parameters, the Group kept an amount equivalent to the average price of the Venezuelan bonds on the balance sheet, reversing in the period a provision for €400 thousand. This took the cumulative amount of the provision at 30 June 2019 to €65,882 thousand (2018: €66,282 thousand). It also showed an amount for completed work pending certification of €15,306 thousand (2018: €15,306 thousand).

Under the terms of the agreement signed with the customer, there is interest amounting to €59,130 thousand accrued to the Group not recognised and considered as contingent assets. The Group is currently in talks with the Venezuelan government to resume relations with a view to addressing the current situation and working together again.

2) Matheu and Lujan (Argentina)

The balance at 30 June 2019 includes provisions of €13,958 thousand for outstanding invoices sent amounting to €11,606 thousand (2018: €12,357 thousand) and completed work pending certification of €3,494 thousand (2018: €3,814 thousand) (Note 21).

3) Tuticorin (India)

At 30 June 2019, the Tuticorin project suspended in India includes a net amount of €10,090 thousand, for outstanding invoices issued totalling €3,192 thousand (2018: €3,144 thousand), completed work pending certification of €2,069 thousand (2018: €2,167 thousand), guarantees enforced by the customer of €5,601 thousand (2018: €5,516 thousand), and a provision for €772 thousand (2018: €761 thousand).

As explained in Note 21, the Group is involved in an arbitration with this customer over unpaid invoices and the reimbursement of guarantees. The directors consider that the provision recognised at the end of 2018 of €772 thousand covers the maximum amount of risk for Duro Felguera and, according to the provisional ruling and opinion of the external lawyer, is reasonable and sufficient.

4) Gangavarm Port Limited and Khrisna Port (India)

As explained in the 2018 consolidated annual financial statements, the Group was involved in arbitrations in India with customers of the GPLII and RVR projects claiming guarantees enforced, unpaid invoices, completed work and interest. At the end of last year, the processes were pending hearing, with a final decision expected. In the first half of 2019, the Group reached bilateral agreements with both customers, with the parties cancelling the ongoing arbitration proceedings and considering any claims by the parties terminated. These agreements led the debtors to ultimately recognise amounts payable to the Group of 1,655 and 325 million Indian rupees (INR), respectively (approximately €25 million). This had a negative impact on the income statement for the first half of the year of approximately €4 million. At 30 June 2019, the amounts recognised under "Trade and other receivables" stood at €2,020 thousand and €1,514 thousand, respectively. Except for €0.3 thousand, these had been received as at the date of authorisation for issue of these interim condensed consolidated financial statements.

The balance of "Completed work pending certification" at 30 June 2019 included a total of €21,293 thousand related to the Fluxys project (Belgium). "Advances" (Note 13) includes €36,375 thousand on the receivable related to the escrow account signed with the customer (Note 21).

"Other receivables" includes the amount related to the transactional agreement reached with SC&T Corporation related to the Roy Hill project (Australia). As at the date of authorisation for issue of the interim condensed consolidated financial statements, the full amount had been received except for €6.2 million not yet due (Notes 21 and 23).

The ageing analysis of past-due receivables is as follows:

	€ thousand	
	At 30 June 2019	**At 31 December 2018**
Up to 3 months	5,856	11,524
Between 3 and 6 months	1,419	3,743
Between 6 months and 1 years	4,541	14,249
More than 1 year	47,822	68,787
	59,638	**98,303**

Movement in the provision for impairment of receivables is as follows:

	€ thousand	
	At 30 June 2019	**At 31 December 2018**
Opening balance	**83,023**	**61,637**
Provision for receivables impairment	1,618	25,173
Unused amounts reversed	(1,332)	(97)
Amounts used	(13)	(539)
Transfers/exclusions from consolidation scope	(1,777)	(3,151)
Closing balance	**81,519**	**83,023**

The creation and release of the provision for impaired receivables have been included in "Other gains/(losses) net" (Note 16) in the income statement. The main movement was the reversal of part of the unused provision recognised for the Termocentro project.

The other classes within receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security.

The total amount of the costs incurred and profits recognised (less losses recognised) for all current contracts at the reporting date were €3,089,492 thousand (31 December 2018: €3,032,535 thousand) and €190,768 thousand (2018: €188,643 thousand), respectively. Retentions of progress billings to customers are not significant.

9. Cash and cash equivalents

	€ thousand	
	At 30 June 2019	31 December 2018
Cash and banks	47,601	85,981
Short-term bank deposits and promissory notes	38,080	17,116
Cash and cash equivalents (excluding bank overdrafts)	**85,681**	**103,097**

At 30 June 2019, €25,351 thousand were restricted as they were pledged for the issue of guarantees for projects or cash deposits made in place of project guarantees (2018: €17,256 thousand).

The Group has cash in different geographic locations under the ownership of certain subsidiaries, with restrictions in some cases on free transferability or repatriation. Of balances held abroad at 30 June 2019, an amount of €6,800 thousand related to the subsidiary in India are surpluses and subject to these restrictions. However, the Group is applying for permits to repatriate the funds with the Indian authorities. The remaining amounts held abroad are required for use in projects being carried out there.

Short-term deposits at credit institutions relate to investments of cash surpluses maturing within three months. At 30 June 2019, interest-bearing deposits included mainly a deposit in Indian rupees (IND) of €14 million earning interest at an AER of 5.75%. The AER on short-term bank deposits at 31 December fluctuated between 0.05% and 0.20% on euro (EUR) balances, between 0.10% and 0.25% on US dollar (USD) balances, and was 1.50% on Australian dollar (AUD) balances.

10. Equity

a) Retained earnings and other reserves

Movements in items of "Reserves" were as follows:

	€ thousand					
	Legal reserve in the parent	**Revaluation reserve Royal Decree-Law 7/1996**	**Other parent company reserves**	**Reserves in consolidated companies and valuation adjustments**	**Profit/(loss)**	**Total**
At 1 January 2018	**16,000**	**958**	**(51,725)**	**68,827**	**(254,496)**	**(220,436)**
Distribution of 2017 profit	-	-	(227,522)	(26,974)	254,496	-
Capital reduction	(16,000)	(958)	95,518	-	-	78,560
Other movements charged to equity	-	-	(9,018)	(28,945)	-	(37,963)
Profit/(loss) for the year	-	-	-	-	99,430	99,430
At 31 December 2018	-	-	**(192,747)**	**12,908**	**99,430**	**(80,409)**
Distribution of 2018 profit	6,399	-	57,593	35,438	(99,430)	-
Capital reduction	-	-	122,352	-	-	122,352
Other movements charged to equity	(6,399)	-	17,934	(16,106)	-	(4,571)
Profit/(loss) for the year	-	-	-	-	820	820
At 30 June 2019	**-**	**-**	**5,132**	**32,240**	**820**	**38,192**

b) Capital

Share capital at 31 December 2018 was represented by 4,800 million fully subscribed and paid shares in book-entry form with a par value of €0.01 each.

On 31 May 2019, a resolution was passed at the Annual General Meeting to reduce capital by €43,200 thousand to offset losses by reducing the par value of all the Company's shares by €0.009. As a result, share capital amounted to €4,800 thousand, represented by 4,800 million shares of €0.001 par value each. The capital reduction was placed on file with the Asturias Companies Register on 27 June 2019.

Approval was also given at the Annual General Meeting to group together and cancel ("reverse split") all the shares comprising the Company's share capital to exchange them for newly issued shares in the proportion of one (1) new share for every fifty (50) old shares, increasing the par value of the shares from the one thousandth of a euro (€0.001) established after the share capital reduction, to five euro cents (€0.05), without modifying the share capital figure, thereby reducing the number of shares in circulation. The agreement was filed with the Asturias Companies Register on 1 July 2019, leaving share capital at €4,800 thousand, represented by 96 million shares of €0.05 par value each.

The reverse split became effective on 10 July 2019.

As at the date of authorisation for issue of the accompanying interim condensed consolidated financial statements, according to disclosures made to the Spanish Securities Exchange Commission (CNMV), the following shareholders held an interest equal to or greater than 3% in the Company's share capital:

Shareholder	**% direct or indirect shareholding**	
	30 June 2019	**31 December 2018**
Indumenta Pueri, S.L.	9.52%	9.52%
La Muza Inversiones SICAV, S.A.	4.90%	4.90%
Juan José Rodríguez-Navarro Oliver	-	4.17%
Sabino García Vallina	3.12%	3.12%
Álvaro Guzmán de Lázaro Mateos	-	3.08%

c) Share premium

The Corporate Enterprises Act (*Ley de Sociedades de Capital*) expressly permits the use of the share premium account balance to increase capital and establishes no specific restrictions as to its use.

At 31 December 2018, the share premium amounted to €4,656 million, equal to €0.017 per share. After the share capital reduction to offset losses, the share premium at 30 June 2019 was reduced to zero.

d) Treasury shares

On 15 June 2018, approval was given at the General Meeting of Shareholders for a capital reduction to restore the Company's equity, which decreased as a result of losses, through the redemption of all the Company's treasury shares (16 million shares). Accordingly, at 30 June 2018, the Company did not hold any treasury shares.

The parent company did not hold any treasury shares at 30 June 2019 or 31 December 2018.

e) Convertible bonds

On 27 July 2018 (effective date), Duro Felguera, S.A., under the scope of the refinancing agreements signed with its financial institutions, converted €233 million of bank borrowings into Class A and Class B convertible bonds (Note 12). Based on the legal evaluation carried out by the Group, after the effective date and throughout the term of the refinancing agreement, the credits converted by the financial institutions are no longer a claim against the Group. The financial institutions' only recourse, even in the event of voluntary bankruptcy, is the request for conversion into shares.

This item includes the total nominal amount of the 9,073,637,389 Class A Convertibles Bonds of €90,736,373.89, with a nominal amount of €0.01 each, convertible into newly issued shares of the Issuer of the same class and series as the ordinary shares of the Company currently outstanding. The maximum duration is five years from the effective date.

Class A Convertible Bonds give holders a right to newly issued shares representing 6% of the Company's share capital after the conversion of all the Class A Convertible Bonds. According to this paragraph, the maximum number of ordinary shares to be issued as a result of the exercise of conversion rights on all of the bonds will be determined at each conversion window in accordance with the following formula:

Number of ordinary shares arising from the conversion of Class A Convertible Bonds

$$N * \frac{6\%}{1 - 6\%}$$

Where N is the number of the Issuer's ordinary shares at the date of calculation.

The **Conversion Price** is calculated at each conversion window as:

$$Cp = \frac{\textit{Nominal amount of Class A Convertible Bonds}}{\textit{Number of ordinary shares arising from conversion of the Class A Convertible Bonds}}$$

The Group has concluded that the Class A Convertible Bonds are equity instruments given the following circumstances:

- They do not contain a contractual obligation to deliver cash or another financial asset since the bonds, at final maturity, unless they have been converted previously, will be redeemed and the claim represented by the bonds released and extinguished.

- The instrument will only be settled in the Issuer's own equity instruments and is a non-derivative since it is not required to deliver a variable number of own instruments. Therefore, holders of Class A Convertible Bonds will receive a fixed number of equity instruments (a total of 306,382,979 new shares applying the contractual exchange ratio) considering that:

  - Since any modification of the Company's capital is considered remote, the contractual obligations assumed in the refinancing agreement, mainly that the Company cannot adopt any resolutions or carry out any transaction that modify the Issuer's share capital except where they relate to the exercise of the Right of Conversion of the Bondholders, imply that share capital is fixed, fulfilling the condition of fixed-for-fixed conversion.

  - Considering that the Class B Convertible Bonds will never be converted before the Class A Convertible Bonds, given the nature and condition of the Class B Convertible Bonds:

    a) The valuation of the Class B Convertible Bonds indicates a lower value, so their conversion is considered remote.

    b) The Group's business plan considers conversion of the Class B Convertible Bonds before year four to be remote.

    c) Even if the share price rises, the possibility of converting the Class B Convertible Bonds in year two is considered remote, since the higher the value of the Group, the greater the number of shares received by the bondholders and, accordingly, the higher the percentage of share capital and value of the Group the holders will receive, which is not the case with the Class A Convertible Bonds.

The independent expert's initial valuation concluded that the Class A Convertible Bonds were worth €8,093 thousand, which was recognised in equity.

11. Dividends

The Company did not distribute any dividends in the six months ended 30 June 2019 and 2018.

The financing agreement that became effective on 27 July 2018 allows the distribution of cash dividends (except for interim dividends), provided all the following conditions are met:

- the Company obtains a profit for the period;
- losses do not exist from previous years that reduce the Company's equity to below share capital;
- the distribution does not reduce the amount of equity to below share capital;
- the amount of cash after the distribution must be greater than zero;
- the gearing ratio is below 3.00x; and
- the Bound Parties are up to date in compliance with their obligations derived from the Financing Documents, and there has been no default event (nor will occur as a result of the distribution).

In addition, before dividends are distributed to shareholders, the Company must first repay and/or replace early the Syndicated Financing in an amount equal to the dividend to be distributed.

12. Borrowings

	€ thousand	
	30 June 2019	**31 December 2018**
Non-current		
Convertible bonds	5,545	8,069
Bank borrowings	85,000	85,000
Other loans	6,675	6,812
	97,220	**99,881**
Current		
Bank borrowings	-	2,321
Interest payable and other financial liabilities	6,809	4,374
	6,809	**6,695**
Total borrowings	**104,029**	**106,576**

The maturity of non-current borrowings is as follows:

	€ thousand	
	30 June 2019	**31 December 2018**
Between 1 and 2 years	18,633	2,129
Between 2 and 5 years	77,557	96,352
More than 5 years	1,030	1,400
	97,220	**99,881**

a) Convertible bonds

The total nominal amount of the 14,227,267,955 Class B Convertibles Bonds is €142,272,679.55, with a nominal amount of €0.01 each, convertible into newly issued shares of the Issuer of the same class and series as the ordinary shares of the Company currently outstanding. The maximum duration is five years from the effective date.

Class B Convertible Bonds give holders the right to receive a number of newly issued shares whose amount, calculated in terms of the volume weighted average price of ordinary shares during the six months immediately prior to the start of each conversion window, is equal to 30% of the amount by which the Issuer's average stock market capitalisation exceeds the Minimum Capitalisation Amount (= €215 million). However, Class B Convertible Bonds may not, in any case, after full conversion result in the delivery to their holders of newly issued Ordinary Shares representing more than 29% of the Company's share capital after the conversion of all the Class B Convertible Bonds.

In addition, to exercise the conversion right for this class of bonds, the Issuer's average stock market capitalisation, calculated by multiplying: (i) the total number of the Company's ordinary shares by the (ii) volume weighted average price (VWAP) of the Company's shares over the six months immediately prior to the related conversion window, must exceed a minimum threshold (€236 million).

According to this paragraph, the maximum number of ordinary shares to be issued as a result of the exercise of conversion rights on all of the bonds will be determined at each conversion window in accordance with the following formula:

Number of ordinary shares arising from the conversion of Class B Convertible Bonds

$$\left[min\left(\frac{M * 30\% * (PMP_{6M} * N - X)}{PMP_{6M}}; N * \frac{29\%}{1 - 29\%}\right)\right]$$

- **M** is a multiple that includes a factor for potential adjustments to the Conversion Price of the Class B Convertible Bonds as provided for in sections (b) and (d) of Term and Condition 4.2 (at the date of execution of the public deed and until an adjustment, M=1).

- **$VWAP_{6M}$** (or PMP in Spanish)is the volume-weighted average price of ordinary shares in the six months immediately prior to the start of each conversion window, which will be adjusted by the Correction Factor if, during the period of six months immediately prior to the start of each conversion window, any of the circumstances described in sections *(a)* to *(d)* of Term and Condition 4.2 arises, with the adjustment made until the last trading date of the Ordinary Shares carrying rights at each related event.

- **N** is the number of Ordinary Shares of the Issuer, which will be adjusted by the Correction Factor if, during the six months immediately prior to the start of each conversion window, any of the circumstances described in sections *(a)* to *(d)* of Term and Condition 4.2 arises.

- **X** is the Minimum Stock Market Capitalisation, adjusted by the Correction Factor if, during the six months immediately prior to the start of each conversion window, any of the circumstances described in sections (a) to (d) of Term and Condition 4.2 arises.

The **Conversion Price** (Cp) of Class B Convertible Bonds is calculated at each conversion window in accordance with the following formula:

$$Cp = \frac{\textit{Nominal amount of Class B Convertible Bonds}}{\textit{Number of ordinary shares arising from conversion of the Class B Convertible Bonds}}$$

The Group has concluded that the Class B Convertible Bonds are debt instruments (financial liability) given the following circumstances:

- They do not contain a contractual obligation to deliver cash or another financial asset since the bonds, at final maturity, unless they have been converted previously, will be redeemed and the claim represented by the bonds released and extinguished.

- The instrument will only be settled in the Issuer’s own equity instruments, but in this case the amount of own instruments is variable, contingent on:

  - First, exceeding the minimum market capitalisation threshold of €236 million; and

  - Second, if this threshold is exceeded, the number of shares to be issued will depend directly on the Group's market capitalisation (measured as the Issuer’s number of ordinary shares multiplied by the volume weighted average price of an ordinary share in the six months immediately prior to the start of each conversion window) at each conversion window and, therefore, depends on the weighted average (quoted) price of the shares on the continuous market during the observation period.

However, given the fact that the number of shares to be issued is variable implies the existence of a separable embedded derivative, the Group has elected the alternative of not separating the embedded derivative and classifying the entire instrument at fair value through profit or loss.

The Group has an independent expert valuation dated 12 July 2019. For the measurement, a binomial tree was developed and the weighted average quoted price of the last six months was considered, along with a volatility of the spot price of 134.2%, a volatility of the average weighted price of the last six months of 51.5% and a risk-free interest rate curve based on the EONIA rate. The independent expert valuation concludes that the Class B Convertible Bonds are worth €5,545 thousand (31 December 2018: €8,069 thousand). Therefore, the Group recognised finance income of €2,523 thousand.

b) Bank borrowings

This item includes mainly the syndicated loan arising from the agreement signed on 21 June 2018 between the parent company and its main banks. This is a 5-year loan with a 2-year grace period bearing interest at the Euribor rate +2% from years 1 to 3, and Euribor +3% from years 3 to 5. The repayment schedule for the syndicated loan includes repayment of €15,000 thousand in 2021, €20,000 thousand in 2022 and €50,000 thousand in 2023.

The following table provides a breakdown of the loan by financial institution:

Institution	Resulting liability affected post-restructuring
Banco Bilbao Vizcaya Argentaria, S.A.	2,806
Banco Cooperativos Español, S.A.	3,195
Banco Popular Español, S.A. (currently Banco Santander, S.A.)	18,050
Banco Sabadell, S.A.	7,348
Banco Santander, S.A.	20,573
Bankia, S.A.	12,764
Caixabank, S.A.	12,273
Liberbank, S.A.	7,991
	85,000

The syndicated financing agreement includes corporate guarantees from several Group companies, a pledge on corporate bank accounts, a pledge or obligation to pledge rights to receivables from lawsuits and litigation related to the Roy Hill, Termocentro and Vuelta de Obligado projects, a pledge on proceeds from potential disposals of certain assets (Note 5) and a pledge on shares of certain investees.

The syndicated loan is subject to compliance with the following debt ratio (gross financial debt/ EBITDA) from the year ended 31 December 2018:

Date	Multiple
31 December 2019	6.27x
30 June 2020	3.20x
31 December 2021	1.54x
30 June 2022	1.14x

The directors are confident of meeting the required debt ratio at 31 December 2019.

13. Trade and other payables

	€ thousand	
	At 30 June 2019	**At 31 December 2018**
Suppliers	169,452	194,072
Payables to related parties	17	17
Other payables	9,691	13,477
Advances received for contract work	135,052	140,961
Social security and other taxes	16,154	16,857
	330,366	365,384
Non-current portion	-	-
	330,366	**365,384**

14. Deferred taxes

Deferred tax assets and liabilities are as follows:

	€ thousand	
	At 30 June 2019	**At 31 December 2018**
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	28,145	34,401
Deferred tax assets to be recovered within 12 months	5,746	7,242
	33,891	**41,643**
Deferred tax liabilities:		
Deferred tax liabilities payable after more than 12 months	(30,095)	(34,812)
Deferred tax liabilities payable within 12 months	(5,869)	(7,294)
	(35,964)	**(42,106)**
Net amount	**(2,073)**	**(463)**

The gross movement on the deferred income tax account is as follows:

	€ thousand	
	30 June 2019	**31 December 2018**
Opening balance	**(463)**	**(2,719)**
(Charged)/credited to the income statement	(2,243)	1,033
Adjustment	274	(129)
(Charged)/credited to reserves	359	1,352
Closing balance	**(2,073)**	**(463)**

The movement in deferred tax assets and liabilities in the period is as follows:

	€ thousand			
Deferred tax assets	**Provision for employee benefit obligations**	**Tax losses and deductions**	**Other**	**Total**
At 1 January 2018	**-**	**-**	**11,032**	**11,032**
(Charge)/Credit to the income statement	-	33,275	(2,818)	30,457
Derecognitions	-	-	(582)	(582)
Charge/(Credit) to equity	-	-	736	736
At 31 December 2018	**-**	**33,275**	**8,368**	**41,643**
(Charge)/Credit to the income statement	**-**	(6,036)	(1,539)	(7,575)
Derecognitions	**-**	-	-	-
Charge/(Credit) to equity	-	-	(177)	(177)
At 30 June 2019	**-**	**27,239**	**6,652**	**33,891**

"Other" includes mainly deferred tax assets amounting to €6,652 thousand (2018: €8,368 thousand) related mainly to warranties and losses on projects.

Assets for the carry forward of unused tax losses are recognised to the extent that it is probable that taxable profit will be realised enabling their utilisation, as explained below. With effect from 1 January 2015, following the entry into force of Corporate Income Tax Law 27/2014, of 27 November, there is no limit on the utilisation of tax loss carryforwards.

On 3 December 2016, Royal Decree Law 3/2016, of 2 December, adopting certain tax measures to consolidate public finances and other urgent social measures became effective, placing a limit on the offset of tax loss carryforwards of 25% for companies with net revenue of €60 million or more.

	€ thousand			
Deferred tax liabilities	**Gains on transactions with non-current assets**	**Asset revaluation**	**Other**	**Total**
At 1 January 2018	**167**	**3,376**	**10,208**	**13,751**
Charge/(Credit) to the income statement	-	-	29,424	29,424
Derecognitions	-	-	(454)	(454)
Charge/(Credit) to equity	-	47	(662)	(615)
At 31 December 2018	**167**	**3,423**	**38,516**	**42,106**
Charge/(Credit) to the income statement	-	-	(5,331)	(5,331)
Derecognitions	-	-	(275)	(275)
Charge/(Credit) to equity	-	-	(536)	(536)
At 30 June 2019	**167**	**3,423**	**32,374**	**35,964**

The Group recognised a deferred tax liability in 2018 of €33,275 thousand for the accounting income related to the conversion of the Class B Convertible Bonds for €134,204 thousand arising from the refinancing agreement signed by the Group and effective 27 July 2018. This agreement was ratified judicially by Mercantile Court 3 of Oviedo on 26 June 2018 in accordance with Additional Provision 4 of Insolvency Act 22/2003, of 9 July.

According to article 11.3 of Corporate Income Tax Law 27/2014, of 27 November, where this income exceeds the full amount of financial expenses pending recognition, it is included in the debtor's tax base in proportion to the financial expenses recognised in the tax period relative the total financial expenses pending recognition arising from the debt.

Moreover, the limit for the offset of tax loss carryforwards of 25% of the aforementioned tax base is not applicable to the amount of income arising from tax relief or deferments granted in an agreement with the taxpayers' creditors.

As a result, since the Spanish tax group had unused tax losses at 31 December 2018 arising in prior years amounting to €176,101 thousand, the tax income recognised could be offset in full with those tax losses. This justifies recognition in 2018 of a deferred tax asset for the same amount as the liability recognised (€33,275 thousand), as provided for in paragraphs 24 and 24 of IAS 12, leaving unused tax losses of €43,001 thousand.

In 2019, following the recognition of the related borrowing costs, the adjustment made for the proceeds from Class B Convertible Bonds, of €24,142 thousand, was partially reversed, giving rise to a movement of €6,036 thousand in both the related deferred tax liability and the deferred tax asset for the offset tax loss carryforwards.

The most significant deferred tax liabilities related primarily to:

a) €34,689 thousand with the Spanish tax group.
b) €851 thousand with Felguera IHI.
c) €421 thousand with Dunor Energía.

15. Provisions

The breakdown of "Provisions" in the condensed consolidated balance sheets at 30 June 2019 and 31 December 2018 is as follows:

	€ thousand	
	30 June 2019	**31 December 2018**
Provisions for pensions and similar obligations	**1,522**	**1,517**
Other pension funds	1,522	1,517
Provisions for contingent liabilities and commitments	**92,489**	**119,449**
Provisions for contingent liabilities	92,489	119,449
	94,011	**120,966**

The movements in the six months ended 30 June 2019 in "Provisions" were as follows:

	€ thousand			
	Pensions and similar obligations	**Provisions for completion of works and other trade provisions**	**Other provisions**	**Total**
Balance at 1 January 2019	**1,517**	**77,473**	**41,976**	**120,966**
Provisions charged to profit or loss:				
Provisions	-	11,103	4,534	15,637
Reversals credited to profit or loss:				
Reversals	-	(21,782)	(19,573)	(41,355)
Payments or amounts used:				
Payments of pensions	-	-	-	-
Other payments	-	(2,203)	(7,617)	(9,820)
Other movements	5	8,975	(397)	8,583
Balance at 30 June 2019	**1,522**	**73,566**	**18,923**	**94,011**

The movements in the first half of 2019 related mainly to:

<u>Provisions for completion of works and other trade provisions</u>

- These includes provisions for project losses of €9,855 thousand and provisions for guarantees and completion of works of €1,185 thousand.
- "Unused amounts reversed" relates mainly to amounts used of provisions for losses realised as the related projects are executed, for €751 thousand, and the cancellation of guarantees for €5,570 thousand. In addition, after the favourable rulings on the GPL II and RVR projects in India, an amount of €5,460 thousand was reversed (Note 8), along with €9,999 thousand related to the Nueva Terminal de ILO project. Regarding the latter, as explained in Note 23, the directors have re-estimated project costs and, accordingly, the stage of completion and profitability.
- The amounts shown under "Other movements" relate primarily to reclassifications of the current liability related to projects.

<u>Other provisions</u>

- Provisions for obligations with employees and those arising from the relocation of offices, for €4,384 thousand (Note 21).
- Reversals amounting to €17,229 thousand related to the risks of the Roy Hill project (Notes 8, 21 and 23), €1,399 thousand related mostly to the resolution of disputes with suppliers in India and €945 thousand related to occupational hazards.

The breakdown of provisions for completion of works and other trade provisions is basically as follows:

	€ thousand	
	30 June 2019	**31 December 2018**
Provisions for warranties	10,794	16,335
Provisions for onerous contracts	43,839	46,178
Provisions for other liabilities and penalties	18,933 (*)	14,960
	73,566	**77,473**

(*) Includes the provision explained in Note 21 related to the Roy Hill project.

The breakdown of "Other provisions" and the expected schedule for the outflow of the related economic benefits are as follows:

	Other provisions	
	€ thousand	**Estimated schedule**
Litigation with suppliers	3,299	Next 6 months
Liabilities and charges due to labour disputes	3,353	Between 6 and 24 months
Liabilities and charges due to legal proceedings	12,271	Between 6 months and 5 years
	18,923	

Transfers to and reversals of provisions for other liabilities and charges are included in "Other gains/(losses) net" in the condensed consolidated income statement.

16. Other gains/(losses) net

	€ thousand	
	30 June 2019	30 June 2018 (Unaudited)
Capital grants	176	352
Other operating income	325	258
Operating grants	6	23
Gain/(loss) on disposals of assets	2,180	(8)
Impairment and losses on assets	(818)	-
Own work capitalised	145	94
Taxes	(827)	(1,719)
Losses, impairment and changes in trade provisions	8,445	(15,185)
Other	9,689	(125)
	19,321	**(16,310)**

At 30 June 2019, gains on disposals recognised related mainly to the sale of the hydrocarbon storage plant in Cartagena, classified as held for sale in 2018, which was carried out in the first half of 2019 (Note 5). Impairments and losses on assets include the impairment recognised in the period for other real estate assets classified as held for sale (Note 5).

"Losses, impairment and changes in trade provisions" relates primarily to the net change in provisions explained in Notes 8 and 15.

"Other" at 30 June 2019 includes mainly the positive impact of the agreement reached with SC&T Corporation regarding the Roy Hill project, as explained in Notes 21 and 23.

17. Income tax expense

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate. Amounts accrued for income tax in one period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

The effective tax rate for the six months ended 30 June 2019 was 57.6% (30 June 2018: 2.13%). The increase in the effective tax rate as at 30 June 2019 from the same period last year was due mostly to the recognition of the tax expense related to the positive impact on the income statements of the subsidiaries in Australia and Mexico.

18. Related party transactions

The following table presents the amounts recognised in the condensed consolidated balance sheet at 30 June 2019 and in the consolidated income statement for the six months ended 30 June 2019 arising from related party transactions, in accordance with Order EHA/3050/2004, of 15 September.

	€ thousand			
	Significant shareholders	**Directors and executives**	**Other related parties**	**Total**
Income and expenses:				
Management or cooperation agreements	-	-	-	-
Expenses	**-**	**-**	**-**	**-**

	€ thousand			
	Significant shareholders	**Directors and executives**	**Group employees, companies or entities**	**Total**
Other transactions:				
Dividends and other benefits distributed	-	-	-	-
	-	**-**	**-**	**-**

The amounts recognised in the interim condensed consolidated balance sheet at 30 June 2018 and in the consolidated income statement for the six months ended 30 June 2018 arising from related party transactions are as follows:

	€ thousand			
	Significant shareholders	**Directors and executives**	**Other related parties**	**Total**
Income and expenses:				
Management or cooperation agreements	-	-	-	-
Expenses	**-**	**-**	**-**	**-**

	€ thousand			
	Significant shareholders	**Directors and executives**	**Group employees, companies or entities**	**Total**
Other transactions:				
Dividends and other benefits distributed	-	-	-	-
	-	**-**	**-**	**-**

19. Compensation and other benefits paid to the board of directors of the parent and senior management

a) Board of Directors' remuneration:

The breakdown of the remuneration accrued by members of the parent's Board of Directors for their membership of the Board of Directors, by item, in the six months ended 30 June 2019 and 2018 is as follows:

	€ thousand	
Remuneration item:	**30 June 2019**	**30 June 2018 (Unaudited)**
Fixed remuneration	476	-
Variable remuneration	-	-
Attendance fees and other remuneration	-	195
	476	**195**

As at 30 June 2018, no fixed remuneration, which related solely to the chairman, was accrued since it was contingent on the signing and registration of the refinancing agreement. This amount, which totalled €216 thousand, was received by the chairman in August 2018 and recognised last year.

Directors did not receive any other benefits.

On 18 September 2019, the Board of Directors accepted the resignations tendered by Marta Elorza Trueba and Alejandro Legarda Zaragüeta. Therefore, at the date of authorisation for issue of these interim condensed consolidated financial statements, it was composed of six members.

b) Remuneration of senior executives

For the preparation of interim condensed consolidated financial information, senior executives include the 10 employees comprising the Management Committee during the period (2018: 5 employees). Executives are considered to be individuals in the Group who, effectively or legally, perform senior management duties under the direct supervision of the Group's management body or executive committees, or its chief executive officers. The breakdown of the remuneration accrued by members of senior management, excluding members of the Board of Directors, in the six months ended 30 June 2019 and 2018 is as follows:

	€ thousand	
	30 June 2019	**30 June 2018 (Unaudited)**
Total remuneration paid to senior executives	749	491

20. Average number of employees

The distribution of the Group's average headcount in the six months ended 30 June 2019 and 2018 is as follows:

	Average number of employees	
	30 June 2019	**30 June 2018 (Unaudited)**
Average number of employees	**1,623**	**1,915**
Men	1,359	1,585
Women	264	330

The Group's average headcount at 30 June 2019 was 879 employees on permanent employment contracts and 744 on temporary employment contracts (30 June 2018: 1,154 and 761, respectively).

21. Contingencies

At 30 June 2019, the Group had extended the following guarantees:

	€ thousand	
	30 June 2019	**31 December 2018**
Guarantees provided for bids in tenders	1,495	1,738
Guarantees provided in sales contracts in progress	357,662	378,200
Other	1,921	3,645
	361,078	**383,583**

As explained in Notes 6, 12 and 21, the Group has provided certain assets as collateral, and granted pledges and cash restrictions to third parties. Certain projects signed by Group subsidiaries with customers are backed with the corporate guarantee of the Group's parent company ensuring compliance with the commercial terms.

Group management considers that the risks of litigation, arbitration and claims are reasonably covered by the provisions recognised in the interim condensed consolidated financial statements at 30 June 2019, and does not expect any additional liabilities to arise.

Lawsuit by the Special Prosecutor

Regarding the ruling by the Central Examining Court no. 2 of Madrid accepting the lawsuit filed against Duro Felguera, S.A. and other companies by the Special Prosecutor against corruption and organised crime over the potential existence of an alleged offence of corruption of a foreign authority or public official, in addition to alleged crime of money laundering in relation to payments amounting to approximately USD 80.6 million, in addition to the disclosures in Note 36 to the consolidated annual financial statements for the year ended 31 December 2018, following the testimony given by the Company’s representative before the National Court on 16 February 2018, Central Examining Court no. 2, at the Prosecutor's request, declared this a complex case and, accordingly, extended the time limit for examination for a period of 18 months following the start of proceedings, which ended on 28 March 2019. However, on 27 March 2019, Central Examining Court no. 2, at a request by the Prosecutor, granted an additional extension for examination of 18 months, which began on 28 March 2019.

The Group considered that the documentation and other actions included in the reports provide sufficient justification or contractual evidence of the payments made, as they are based on contractual obligations assumed by individuals duly authorised for their grant in ordinary contracts -the rendering of (advisory and technical assistance) services- and inherent in the activity comprising the Group’s objects (given their nature as indivisible or at least complementary to obtaining and executing a major international contract). Moreover, this contractual evidence has enabled its documentary proof, accounting recognition, inclusion in the Group’s official and only accounts, its financial statements, and its annual accounts, which are assured by the Group’s auditors. In addition, although the Group’s outlook and view of the potential impact is positive based on the internal investigation carried out and since it is still in the early stages, based on the information available to date it is not possible to determine the probability or extent of the potential consequences, which will depend on the outcome of the criminal proceedings.

In addition, in light of the report issued by Grant Thornton's forensics division, the evidence contained in the documentation provided in the Prosecutor's investigation and the pre-trial proceedings of the Central Examining Court, information gleaned from testimonies given to the Prosecutor and the court, and, in general, all actions taken as at the date of the proceedings, the Group’s defence argues that, in the report issued 9 March 2018, there is no evidence whatsoever that Duro Felguera S.A., its board or board members, executives, employees or representatives have authorised, been aware of and/or given consent to payments or granted improper advantages or benefits to authorities or public servants in Venezuela to corrupt them or induce them to infringe upon their public competences, powers or functions in negotiating, arranging and executing Termocentro's combined cycle plant construction project with C.A. Electricidad de Caracas.

Therefore, no liability should be attributed to the Duro Felguera Group for any potential money laundering crimes, since there is no predicate offence, nor any involvement. Finally, the Group considers that the measure and policies outlined in its non-financial reporting are still appropriate.

The Group has not recognised any provision, since it considers that the conditions for recognition provided in IAS 37.14 b) and c) are not met.

National Markets and Competition Commission (CNMC)

On 7 March 2018, notification was received of a proposal to levy a fine of €1,128 thousand against Duro Felguera Operaciones y Montajes, S.A. The Group's internal Legal Department considers the likelihood of a negative risk for the Group to be remote since it could appeal. Therefore, the parent company's directors considered that there was no need to recognise a provision as at 30 June 2019.

Duro Felguera Madrid offices

In relation to the lease of offices at Avenida de los Poblados 7, Madrid, entered into on 27 February 2018 between Sonta Investments, S.L, as the lessor and Duro Felguera, S.A, as the lessee, on 30 July 2019 a notice was received via burofax in which the lessor announced that it had filed a suit requesting termination of the lease due to lack of payment and that Duro Felguera, S.A. vacate the premises, claiming outstanding rent and property expenses as at that date, as well as late-payment interest, for a total amount of €850 thousand, recognised under "Suppliers" (Note 13). The Group also deposited a guarantee of €920 thousand included in "Other receivables" (Note 8).

Based on negotiations under way with the lessor and the opinion of the Duro Felguera Group's internal legal advisors, the directors consider that the amount of the provisions recognised in this connection is sufficient.

Roy Hill

The Group, through its Duro Felguera Australia, Ltd. ("DFA") subsidiary, was involved in arbitration proceedings in Singapore with SC&T related to the Roy Hill project, claiming AUD 310 million for guarantees unduly enforced, contracted work not paid, work performed outside the contract and not recognised by SC&T Corporation as customer. The final hearings were held in February 2018 and the parties' conclusions delivered in April 2018.

On 1 March 2019, the Group received a final partial ruling by the Arbitration Court of Singapore (SIAC). The ruling requires payment to the Group for all items plus interest and costs to be stipulated in a further ruling. Based on the wording of the ruling issued, at 31 December 2018, the Group cancelled part of the provisions recognised, recognised the portion of interest that was virtually certain as an asset in accordance with the assessment of the Group's external legal advisers and recognised the related liabilities with third parties, after assessing the related risks, in accordance with the assessment of the Group's external legal advisers and the application of "back to back" provisions in the contracts signed with suppliers. The accounting effects of this ruling were recognised in the 2018 annual consolidated financial statements, with a positive impact on consolidated equity and profit of €38 million.

On 9 July, the SIAC issued its ruling on interests and costs, in favour of the Duro Felguera Group. SC&T Corporation has appealed both rulings.

In September 2019, a transactional agreement was entered into between SC&T Corporation and DFA whereby both parties agreed to discontinue the actions taken and undertake new ones related to the project in exchange for payment of compensation by SC&T Corporation to DFA. As part of the agreement, the parent company issued a guarantee in favour of SC&T Corporation for approximately €12 million to face potential liabilities with third parties regarding the project.

As a result, as at 30 June 2019, the accounting effects of the agreement with SC&T Corporation were recognised, with a positive impact on equity and on profit and loss of €9 million, in addition to the €38 million recorded in 2018.

The Group is still involved in arbitration proceedings with two suppliers, having recognised a provision in the consolidated balance sheet based on the legal opinion of its external advisors.

Vuelta de Obligado

On 29 August 2016, an arbitration claim was filed with the Buenos Aires Stock Exchange against customer Central Vuelta de Obligado (CVO) for cost overruns sustained during execution of the project, broken down as follows:

- Claim for delays in the availability of electricity and compensation for the new labour/trade union agreement, amounting to ARP 874 million (approximately €20.2 million) at 31 December 2018.
- Claim for technical modifications to the original project made at the customer's request, amounting to ARP 720 million (approximately €16.6 million) at 31 December 2018.
- Claim for losses caused by inaccuracies in the scheme for recalculating prices, amounting to ARP 867 million (approximately €20 million) at 31 December 2018.
- Claim for additional measures adopted to prevent damage and higher costs arising from the default by Central Vuelta de Obligado, amounting to ARP 841 million (approximately €19.4 million) at 31 December 2018.

On 14 August 2017, the Court suspended the arbitration proceedings at the parties' request. The customer provided certification that the plant had come fully on stream on 23 February 2018.

Given the doubts over the outstanding amount not recognised by the customers, on 31 December 2018, the Group recognised an impairment of the asset, with a carrying amount of €16,557 thousand, since there were reasonable doubts concerning its recoverability. The directors considered the same in the re-estimation performed in the preparation of the interim condensed consolidated financial statements as at 30 June 2019.

On 28 June 2019, General Electric and CVO asked the arbitration court to reject the proceedings since a transactional agreement was reached, with General Electric unilaterally accepting penalties. This request was admitted by the Court and the arbitration proceeding concluded. The Group was not party to the agreement. Therefore, the temporary joint venture comprising Duro Felguera Argentina S.A and Fainser S.A asked the Courts to allow

them to testify in the case against CVO, since they did not agree with the penalties accepted by General Electric, although this request was denied.

On 27 September 2019, the Company was notified of the commencement of arbitration instigated by Sociedad General Electric in which it claims the payment of penalties for project delays that General Electric itself agreed with the customer despite the Company's opinion and certain costs General Electric alleges that it incurred to perform or complete certain tasks within the scope of the Company, including direct payments to certain suppliers, plus interest. The Company's directors and legal advisors consider that there are solid legal grounds for defending the Company's position and submitting claims against General Electric for higher amounts. They believe General Electric's claims will not give rise to any payments by the Company. As a result, no provision was recognised in this connection.

Fluxys

On 10 May 2019, the Group signed a sixth amendment to the EPC agreement with Fluxys, calling for payment to the customer of €22.5 million which, to date, has not been made. Negotiations took place between June and September 2019 over the terms of payment of this amount in an addendum to the amended agreement of 10 May 2019. The directors and legal advisors consider that the sixth amendment remains valid and that the agreement has not been resolved or terminated. As at the date of authorisation for issue of the annual financial statements, the risk of enforcement of guarantees related to the contract and the corporate guarantee was assessed to be remote.

Tuticorin

The subsidiary in India, Felguera Gruas India, is involved in an arbitration against customer Tuticorin, claiming a total amount of approximately €14,612 thousand for unpaid invoices and the reimbursement of guarantees. Tuticorin has filed a counter-claim against FGI for €80.8 million for hypothetical costs to complete the project, additional costs, lost earnings and interest. In April 2018, the customer enforced the guarantees, for €5,511 thousand. This amount is included in the arbitration.

The arbitration ruling, dated 3 June 2019 and received on 7 June 2019, awards subsidiary FGI an amount of 568 million rupees (€7.2 million) plus an unspecified amount of interest. The Group estimated the maximum amount of interest receivable as at the date of the ruling to be INR 264 million (€3.3 million). The Group requested clarification by the arbitration court on the ruling, particularly with regard to the applicability of interest on the base amounts awarded. On 6 September 2019, this clarification was received, which was favourable for the Group's interests as assessed by the legal advisors in India.

Matheu & Lujan

The Duro Felguera Group, through its subsidiaries Duro Felguera Argentina S.A. and DF Mompresa S.A.U., entered into a consortium agreement ("Consortium Agreement") with Siemens, and customers of Stoney Capital Corporation and Araucaria Energy, S.A., for the manufacture of two open cycle power plants, setting out the individual tasks and responsibilities. In 2017, a "Consent and Agreement" was signed to bring in a bank as partner and Collateral Agent.

On 13 August 2019, after months of negotiations with the customer, Duro Felguera Argentina S.A. and DF Mompresa S.A.U. submitted an application for arbitration against Stoneway Capital Corporation and Araucaria Energy, S.A. with the International Court of Arbitration of the International Chamber of Commerce in New York, claiming USD 31 million of unpaid amounts by the customer on the Matheu and Lujan projects.

As at the date of authorisation for issue of the interim condensed consolidated financial and in light of events occurring during the period, the recoverability of the amounts receivable was re-estimated based on the opinions of the internal legal advisors and external lawyers. As a result, the provision of €1,142 thousand recognised in 2018 was reversed (Note 23).

Jebel Ali

In 2018, in the wake of certain claims made to the customer over cumulative delays, an agreement was reached to withdraw them in exchange for new termination dates based on the best estimates at that time. The parties agreed to extend the period from June 2019 to June 2020, with the customer reserving any rights it may have at that or any future date under application legislation or the agreement.

Between the date of this agreement and the date of authorisation for issue of the interim condensed consolidated financial statements, further delays were incurred beyond the control of the Duro Felguera Group. As a result, in June 2019, a new notification of claims was presented to the customer, which it initially rejected.

On 1 August 2019, the customer sent a Notice of Default, based on the delay in the pace of execution of the work, which could result in termination of the contract. This was rejected by the Group on 20 August 2019 through a Wrongful Notice of Default since, in the opinion of the Group's internal legal department, the customer caused the delays in the work schedule. It considered the risk of enforcement of guarantees related to the contract as at the date of authorisation for issue of the annual financial statements to be remote.

The Duro Felguera Group is assessing the potential merits of the claim with the assistance of independent experts, and the amount. It has initiated new negotiations with the customer to recognise the delay and set a new deadline for completion of the project.

The delays have resulted in cost over-runs for the Group, estimating a negative impact on the income statement for the six months ended 30 June 2019 of €13 million. In addition, as at 30 June 2019, the Group had recognised a receivable amounting to €28,083 thousand, which was collected as at the date of authorisation for issue of these interim condensed consolidated financial statements, and an advance payment of €13,145 thousand.

Based on this and the opinion of the Group’s internal Legal Department, the directors of the parent company estimated the stage of completion of the project assuming that it will continue despite the disputes and expecting the issue to be resolved without giving rise to further significant losses for the Duro Felguera Group.

Recope

The Group is carrying out two projects in Costa Rica for the state-owned customer, RECOPE, which have suffered major delays not caused by the Group due to changes in the scope of the engineering. Therefore, after the customer rejected the claims presented in May 2018, the Group filed a lawsuit in June 2019.

In August 2019, RECOPE submitted contractual termination procedural documents, which will not be final until a final administrative judgement is handed down. This could take around 12 months. Nevertheless, the Group has taken the appropriate steps to have them rendered null, challenging the qualification of RECOPE.

The Group has also initiated arbitration through the Costa Rica-Spain investment treaty in September 2019 to trigger a conciliation procedure.

In light of this situation, the directors of the parent company estimated the stage of completion of the project assuming that it will continue despite the disputes and expecting the issue to be resolved without giving rise to further significant losses for the Group.

22. Other information

On 21 January 2015, the Spanish taxation authorities (Agencia Estatal de la Administración Tributaria) notified the commencement of an audit of Tax Group 22/1978, the parent of which is Duro Felguera, S.A., in respect of corporate income tax for 2010 to 2012, and VAT Group 212/08, also headed by Duro Felguera, S.A., in respect of value added tax for 2011 to 2012, as well as of income tax withholding (earned income and investment income) and non-resident income tax for 2011 and 2012.

On 17 May 2017, Duro Felguera, S.A. received a proposal for settlement of income tax for €101 million, plus €22 million of late-payment interest. Moreover, the adjustment made from the inspection resulted in a reduction in tax losses for the consolidated Group of €27.5 million, and a reduction in unused tax credits of €2 million. These assessments were signed under protest. The settlement agreement is based primarily on the taxation authorities' discrepancies regarding the application by the Group of the exemption of foreign income obtained by temporary joint ventures operating abroad (specifically, UTE Termocentro), as provided for in article 50 of Legislative Royal Decree 4/2004, of 5 March, approving the Consolidated Income Tax Act in effect in the periods covering the tax inspections. The result of the inspection of other taxes was immaterial for the Group.

On 9 August 2017, an administrative appeal was filed with the Central Economic Administrative Court (TEAC for its initials in Spanish) against the settlement agreement notified on 27 July 2017. In addition, on 15 February 2018, the TEAC notified the Group that it could give statements and evidence, so that within a maximum period of one month from this notification, the Group could submit its written statements to the court, which it did on 6 March 2018, requesting completion and the suspension of the term for submitting statements. On 14 May 2018, the TEAC notified its acceptance of the request to expand the record, saying it would grant a new stage of statements once the record is complete. A new deadline of 7 September 2018 was granted. However, as the record is still incomplete, a new request for completion was submitted on 27 November 2018. On 3 December 2018, the TEAC notified the Company that it had accepted the request for completion. After forwarding the case to the taxation authorities for completion, on 8 January 2019 notice was again given to the Group, which submitted its written allegations on 8 February 2019.

The Group estimates that the TEAC's ruling on this case will take at least a year-and-a-half to two years after written allegations are filed. A potential adverse ruling could be the subject of an administrative appeal before the National Court.

In addition, as a result of these tax audits, the following settlement agreements were issued:

Agreement for settlement of VAT charged to Duro Felguera for €2,552 thousand plus €601 thousand for late-payment interest, dated 19 July 2017. On August 24, 2017, an administrative appeal was filed with the TEAC against this agreement.

- Agreement for settlement of corporate income tax - related party transactions to Duro Felguera for €326 thousand plus €75 thousand for late-payment interest, dated 17 July 2017.

- Agreement for settlement of personal income tax, requiring no payment, dated 27 July 2017. On 9 August 2017, an administrative appeal was filed with the TEAC against this agreement.

Regarding the settlement agreements issued on behalf of Duro Felguera, S.A. for VAT and corporate income tax - related party transactions and personal income tax withholding- on 15 February 2018, the TEAC notified the Group that it could present allegations and evidence, so that within a maximum period of one month from this notification, the Group must present its pleadings to the court. After identifying defects of substance, the Group submitted reports to the TEAC dated 6 March 2018 for each claim (VAT, income tax and personal income tax withholding) requesting completion of the assessments and the suspension of the deadline for submitting observations. On 11 and 14 May 2018, respectively, the TEAC notified its acceptance of the requests to expand the cases, saying it would grant a new process of allegations once the cases are complete. A new deadline of 10 September 2018 was granted. However, as the record is still incomplete, a new request for completion was submitted on 27 November 2018. On 3 December 2018, the TEAC notified the Company that it had accepted the requests for completion.

Regarding the claim filed in relation to VAT, on 7 February 2019, the Group was notified that it could submit written allegations, which it did on 8 February 2019.

Meanwhile, regarding the claim filed in relation to personal income tax withholding, on 9 January 2019, the Group was notified that it could submit written allegations, which it did on 8 February 2019.

The Group’s estimate at the date of the TEAC's ruling on these cases is that it will take a year-and-a-half to two years after written allegations are filed. A potential adverse ruling could be the subject of an administrative appeal before the National Court.

In addition, on 1 February 2018, the Spanish taxation authorities notified UTE TERMOCENTRO of a proposed resolution of sanction proceedings for €23.04 million. The sanction imposed is based on the authorities’ discrepancy regarding the taxable income charged by UTE Termocentro to its members. On 19 February 2018, an administrative appeal was filed with the Central Economic Administrative Court against this proposed sanction. On 11 September 2018, the TEAC notified the presentation of allegations and evidence. After identifying a defect of substance, the Group submitted a report to the TEAC dated 7 December 2018 requesting completion of the case and the suspension of the term for submitting statements. After this new notification, allegations were submitted on 11 March 2019. The estimate at the date of the TEAC's ruling on this case is that it will take a year-and-a-half to two years after written allegations are filed. A potential adverse ruling could be the subject of an administrative appeal before the National Court.

As a result of these tax audits, the following settlement agreements were issued:

- Agreement for settlement of personal income tax on behalf of UTE TERMOCENTRO for €624 thousand plus €151 thousand for late-payment interest, dated 6 June 2017. On 24 August 2017, an administrative appeal was filed with the TEAC against this agreement. On 31 August, the TEAC notified the presentation of allegations and evidence. After identifying a defect of substance, the Group submitted a report to the TEAC dated 4 October 2018 requesting completion of the case and the suspension of the term for submitting statements. On receipt of notification, written allegations were submitted on 7 March 2019.

- Agreement for settlement of VAT on behalf of UTE TERMOCENTRO, dated 6 June 2017, requiring no payment. On 5 July 2017, an administrative appeal was filed with the TEAC against this agreement. On 31 August 2018, the TEAC notified the presentation of allegations and evidence. After identifying a defect of substance, the Group submitted a report to the TEAC dated 4 October 2018 requesting completion of the case and the suspension of the term for submitting statements. On receipt of notification, written allegations were submitted on 11 March 2019.

- Agreement for settlement of income tax on behalf of UTE TERMOCENTRO, dated 6 June 2017, requiring no payment. On 5 July 2017, an administrative appeal was filed with the TEAC against this agreement. On 31 August 2018, the TEAC notified the presentation of allegations and evidence. After identifying a defect of substance, the Group submitted a report to the TEAC dated 4 October 2018 requesting completion of the case and the suspension of the term for submitting statements. On receipt of notification, written allegations were submitted on 11 March 2019.

- Agreement for resolution of the penalty proceedings for personal income tax on behalf of UTE TERMOCENTRO, for €432 thousand. An administrative appeal was filed with the TEAC against this agreement on 29 January 2018. On 15 June 2018, the TEAC notified the presentation of allegations and evidence. After identifying a defect of substance, the Group submitted a report to the TEAC dated 11 July 2018 requesting completion of the case and the suspension of the term for submitting statements. On receipt of notification, written allegations were submitted on 11 March 2019.

The Group did not recognise any liability related to these procedures since in the directors' opinion, based on reports issued by independent third parties in prior years and up to the reporting date, the arguments are sufficiently strong to expect a ruling in its favour. These arguments can be summarised as follows:

- Doctrine of estoppel: the AEAT already inspected 2009, in which UTE TERMOCENTRO took a significant charge for its members that was considered exempt. No amount was adjusted in this connection.

- Substantive arguments accrediting UTE TERMOCENTRO's foreign operations.

- Delays in the proceedings: The proceeding was extended by a year and we have been attributed unjustified delays that are questionable. This could result in the expiration of one, two or even three years, depending on the delay.

To date, the Group has not made any payments related to these proceedings. The taxation authorities agreed a suspension with the contribution of real estate collateral for the amounts owed from the settlement agreements of VAT, personal income-tax withholding and income tax - related party transactions. Regarding the liability from the proposal for settlement of income tax of €101 million plus €22 million of late-payment interest, the Group requested suspension of enforcement of the settlement agreement contributing real estate collateral for €29 million and requesting partial waiver of guarantee for the remainder (€94 million). The request for suspension was rejected for processing by the TEAC in a resolution dated 30 November 2017, which was notified to the Group on 18 January 2018. The move for annulment of this resolution was filed with the TEAC on 30 January 2018 and rejected by the TEAC in a resolution notified on 1 June 2018. This resolution was challenged before the National Court in an administrative appeal filed by the Group dated 28 June 2018, having filed the lawsuit on 8 May 2019.

In addition, despite the appeal for annulment of the TEAC's resolution rejecting the request for suspension, on 19 January 2018 the Group filed an administrative appeal before the National Court. After a request to complete the file, on 26 June 2018 the National Court notified the Group of a measure of organisation of procedure granting a period of 20 days to bring its lawsuit. The Group filed its suit with the National Court on 24 July 2018 and presented its findings in writing on 16 November last year.

In addition, a written notice of the administrative appeal dated 9 January 2018 was presented asking the National Court to issue a precautionary measure suspending the debt, with the partial contribution of guarantees while the proceeding is being conducted. This request was processed in a separate order.

In a ruling dated 26 March 2018 and notified on 9 April, the National Court issued the precautionary measure, subject to the provision of guarantees. The Group filed an appeal for reversal on 17 April 2018 (which was subsequently expanded in a written document dated 22 May 2018). On 26 July 2018, the National Court notified the ruling dated 15 June 2018 rejecting the Group's appeal for reversal. On 3 July 2018, Duro Felguera, S.A. filed a request for additional award to the ruling of 15 June 2018, which was rejected by the National Court on 17 July 2018 and notified to the Group on 24 July.

The ruling of 26 March 2018 was appealed against in an appeal for judicial review by the Supreme Court. In an order dated 28 March 2019, notified on 3 April, the Supreme Court dismissed the administrative appeal alleging lack of objective interest for case law beyond the circumstances of the specific case. On 8 May, the nullity suit of actions was filed against the order, which is pending resolution.

On 27 May 2019, the Group asked the National Court to amend the precautionary measure due to a change in circumstances from the original request, as provided for in article 132 of Law 29/1998, of 13 July, governing administrative jurisdiction.

As at the date of authorisation for issue of the interim condensed consolidated financial statements and based on the analysis of the external advisors, the situation would be as follows:

- The Supreme Court ruling notified on 3 April 2019 dismissing the appeal upheld the ruling of the National Courts of 27 March 2018, starting the two-month period for providing guarantees on which the suspension was contingent, which ended on 3 June 2019;

- The Spanish taxation authorities may not consider exclusively that the term to which suspension of the appealed debt was subject was breached and enforce it without a prior judgement by the National Court authorising it to do so and after hearing the appellant, which have not occurred;

- The National Court must also expressly resolve the request for amendment of the precautionary measure adopted filed by the Group on 27 May 2019.

- Even in the event that the National Court agreed to lift the suspension, the Spanish taxation authorities (Agencia Estatal de la Administración Tributaria) must process and decide on the subsidiary request for deferment presented by Duro Felguera before taking any steps to enforce collection of the tax debt.

The proposed terms of deferment in the request are an initial payment of 15% of the debt in the first year, 25% the second, and 30% in each of the two remaining years. Any rejection by the taxation authorities of deferment with partial waiver of guarantees may be subject to appeal before the TEAC and, subsequently, to administrative appeal before the National Court. Ruling on this proceeding is expected to take a similar amount of time as the request for suspension; i.e. around one-and-a-half years from the rejection of deferment by the taxation authority. While the proceeding is in progress, the taxation authorities may not initiate any enforced collection actions.

In addition, on 26 July 2018, the Group filed a new request for suspension with partial waiver of guarantees with the TEAC, bearing in mind that the court rejected its previous request, based on the existence of factual circumstances that further substantiate the harm that collection of the appealed tax debt would have. Regarding the request for suspension, we consider that the Group has sufficient legal grounds to expected the TEAC to accept for processing its request for suspension in application of a recent Supreme Court ruling dated 21 December 2017 that limits the circumstances in which the TEAC may reject requests for suspension, and the ruling dated 27 February 2018 that precludes the taxation authorities from initiating enforced collection actions until a request for suspension has been ruled on, irrespective of the stage in the voluntary executive period.

Under the framework of this new request for suspension and prior to a ruling, the Group issued mortgage guarantees on certain real estate assets worth €19.6 million (appraisal value) in favour of the taxation authorities and waived collection of the outstanding payments by the AEAT, for €6.8 million, thereby reducing the amount of the debt.

This new request for suspension, if rejected, may be the subject of a claim, triggering a procedure in the same terms and conditions as for the original request for suspension.
In summary, the Group estimates that, in the worst-case scenario, the lifting of the precautionary measure of suspension would mark the start of a new deferment procedure and, only if the deferment request is not accepted and at the same time the new request for suspension filed on 26 July 2018 is rejected, and if the Group could not provide guarantees, the taxation authorities could initiate enforced collection actions of the debt. This is unlikely to happen before mid 2020.

Nevertheless, considering the amount of the mortgage guarantees already provided and the offset for tax refunds already made by the AEAT Collection Unit, as well as the technical argument of expiration of the alleged inspection procedure, which must be applied *ex officio*, the Group did not include the cash outflow for enforcement of the debt by the managing body in its cash flow projections.

On 6 March 2018, the Spanish taxation authorities notified the commencement of an audit of Tax Group 22/1978, the parent of which is Duro Felguera, S.A., in respect of corporate income tax for 2013 and 2014, and VAT Group 212/08, also headed by Duro Felguera, S.A., for the period from 4/2014 to 12/2014, as well as of personal income tax (earned income, professional fees and investment income) and non-resident income tax for said Company for the period from 4/2014 to 12/2014.

Under the framework of this procedure, UTE Termocentro was notified of the following provisional assessments:

- Assessment signed in protest for personal income tax, issued on 14 June 2019, proposing an adjustment of €241,511.92 (of which €202,483.64 of taxes and €39,028.28 of late-payment interest).

- Assessment signed in protest for income tax, issued on 14 June 2019, which did not give rise to any payment, but determined non-tax exempt taxable income to be charged by the temporary joint venture to the venturers of €58,865,095.72 for 2013 and €34,226,125.27 for 2014, with an estimated impact on income tax of €25,134,629.67 for Duro Felguera, S.A. and €2,792,736.63 for DF Mompresa, S.A.

- Assessment signed in agreement for VAT, issued on 26 June de 2019, which did not give rise to any payment.

  These assessments are provisional, since the inspection has been partially suspended in the part affected by the criminal preliminary ruling per Order of 27 February 2019 issued by Central Examining Court 2.

The Group filed written allegations over the assessments signed in protest before the deadline and is currently awaiting the settlement agreements.

Since the thrust of the dispute, as with the previous inspection, lies in the Group's application of the exemption for foreign-earned income obtained by the temporary joint ventures operating abroad, and specifically by UTE TERMOCENTRO, the Group’s opinion and that of its external tax advisors is that the arguments in its defence are sufficiently strong to expect a ruling in its favour. Therefore, no liability was recognised in this connection.

Duro Felguera Do Brasil is also open to inspection of income tax for 2012, which it has appealed and poses a potential tax liability of 30,439,324.61 Brazilian reais. In the opinion of the Group's management and its external tax advisors, it is unlikely that the amount will have to be paid. An inspection of income tax for 2015 has also commenced. It is currently in the phase of providing documentation, so no estimate can be made of the potential liability at present.

<u>Fees paid to the auditors and their group of companies or associates</u>

Audit fees accrued by E&Y in the six months ended 30 June for the audit of the financial statements and other audit-related services of all Group companies amounted to €150 thousand (30 June 2018: €335 thousand).

Other services provided by companies using the EY brand in the period amounted to €158 thousand (30 June 2018: €270 thousand).

23. Events after the reporting period

The following significant events occurred between the closing date of the interim period for the six months ended 30 June 2019 and the date of authorisation for issue of the interim condensed consolidated financial statements:

- In September 2019, the Group entered into an agreement with SC&T Corporation and the amount stipulated therein was received (Note 21).

- On 13 August 2019, the Duro Felguera Group submitted an application for arbitration against Stoneway Capital Corporation and Araucaria Energy, S.A. with the International Court of Arbitration of the International Chamber of Commerce in New York, related to the Matheu and Lujan projects (Note 21).

- Regarding the ILO project to build a new terminal, after negotiations between the parties as a result of binding mediation, a new conciliation agreement was agreed in July 2019. This suspended the contract and any arbitration between the parties to give the mediator time to assess the scenario of amicable termination without the enforcement of guarantees and the transfer of subcontracts to PETROPERU. This will enable the project to continue, which the mediator recommended as the most beneficial to PETROPERU in its September 2019 report.

  PETROPERÚ's board acknowledged the matter on 25 September and expects to take a joint decision on Orderly Termination and Settlement. The Conciliation Procedure agreed on 18 July is expected to be extended for a month to allow for the technical and administrative transfer of the supplies and the subcontracts of equipment to PETROPERÚ, as part of the Settlement, and to allow the land work to continue in the shortest time possible, in the public interest.

- As explained in Note 21, the Group was notified of the commencement of arbitration initiated by General Electric over the CVO project.

- On 18 September 2019, the Board of Directors accepted the resignations tendered by Marta Elorza Trueba and Alejandro Legarda Zaragüeta. Therefore, at the date of authorisation for issue of these interim condensed consolidated financial statements, it was composed of six members.

The parent company's directors considered all these significant events in the review of their accounting estimates and decision-making, given their importance.

24. Additional note for English translation

These interim condensed consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

DURO FELGUERA, S.A. AND SUBSIDIARIES

Interim Consolidated Management Report
for the six months ended 30 June 2019

DURO FELGUERA, S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED MANAGEMENT REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2019

GENERAL PERFORMANCE

The Group's activity in the first half of the year was shaped by progress in executing the strategic plan and negotiations with creditor banks.

Under the strategic plan, a new organisational model was rolled out, a new Management Committee was appointed, overhead costs were reduced and the Group is implementing a new strategic and commercial positioning model, with an overarching goal of generating cash.

Revenue from sales in the period totalled €178.4 million (2018: €222.2 million), down 19.7% year-on-year. The fall was caused by the liquidity crunch, which undermined the pace of execution of ongoing projects. Nevertheless, significant progress was made on the Fluxys, Empalme, Petacalco and Aconcagua projects, among others.

EBITDA amounted to a positive €10.8 million, compared to a negative €48.2 million in the first half of last year. The Group delivered profit attributable to the parent of €0.8 million, compared to a loss for the same period last year of €54.9 million.

Net debt at 30 June 2019 stood at €18.3 million, marking a considerable decline from the year-earlier figure of €292 million thanks to the success of the capital increase and the refinancing carried out in July 2018.

Order intake this year amounted to €51.4 million, excluding €43 million of provisional orders from the Naftal (Algeria) project, which is pending definitive signing. New orders, mainly in the Services and Manufacturing segments, were received from traditional Duro Felguera customers, such as Repsol, Cepsa, BP and ExxonMobil. After 30 June, contracts worth €35.4 million were signed with Endesa and other customers, taking the total as at the date of authorisation for issue of the interim condensed consolidated financial statements to €129.8 million. The unavailability of the lines of guarantees envisaged in the refinancing agreement signed in 2018 is making it difficult to achieve forecast order intake.

The order backlog at the end of the period stood at €667.9 million, of which €642.6 million relate to international projects.

Key highlights with an impact on the interim condensed consolidated financial statements for the first half of 2019 include:

- The signing of a transactional agreement between SC&T Corporation and the DF Group, which affords liquidity to the Group and ends the litigation over the Roy Hill project. As a result, figures as at 30 June 2019 include a positive impact on equity and on profit and loss of €9 million, in addition to the €38 million recorded in 2018.

- The bilateral agreements achieved with GPLII and RVT in India, cancelling the ongoing arbitration proceedings and considering any claims by the parties terminated. These agreements had a negative impact on the income statement for the first half of approximately €4 million.

- The amicable termination of the contract related to the ILO project, without enforcement of guarantees, based on a report issued in September 2019 by the

mediator, A&M, which concluded that early termination was the best option for both parties and established the amount of the settlement. This termination had a positive impact on the Group's income statement of €12,777 thousand.

- The presentation of the Group's strategic plan and business forecasts for 2019-2023.

- Transfer of staff from the Madrid offices to the central offices in Gijón. This entailed costs related to the relocation and settlements.

- In the first six months of 2019, as part of the non-core asset disposal plan, the Group sold the Cartagena plant and is in talks to divest other non-core assets.

To illustrate the Group's recent performance, the following table shows the Group's main financial indicators at 30 June 2019 and 2018:

	€ thousand	
	30 June 2019	30 June 2018 (Unaudited)
Revenue	178,418	222,219
EBITDA (1)	10,806	(48,182)
Profit/(loss) before tax	11,679	(61,084)
Net financial debt (2)	18,348	292,093
Order intake (3)	51,356	52,191
Order backlog (4)	667,996	953,635

(1) EBITDA is earnings before interest, tax, impairment and losses on assets, depreciation and amortisation. Calculation of EBITDA is disclosed in Note 3 to the interim condensed consolidated financial statements.
(2) Net financial debt is the amount of gross debt less cash and cash equivalents. Calculation of net financial debt is disclosed in Note 4 to the interim condensed consolidated financial statements.
(3) Order intake is the total amount of contracts won in the year, calculated by adding the amounts of each contract signed during the year.
(4) Order backlog is amount pending execution of signed contracts held by the Company, calculated by subtracting the amount executed from the total amount of each contract.

The unavailability of the lines of guarantees envisaged in the refinancing agreement signed in 2018 is making it difficult to achieve forecast order intake and the pace of ongoing project execution, since liquid resources of the projects were pledged for the issue of new guarantees.
Average headcount for the Duro Felguera Group went from 1,757 employees at 31 December 2018 to 1,623 employees at 30 June 2019.

DURO FELGUERA GROUP

<u>Organisational structure</u>

The Group specialises in executing turnkey projects for the energy, industrial and Oil & Gas facilities, providing industrial services and manufacturing capital goods, with a strong international business projection. It is organised in five business segments: Energy, Mining & Handling, Oil & Gas, Specialised Services, and Manufacturing and others.

Business model

The DF Group is a person and knowledge-based group, specialising in projects that are tailored to our customers' needs. Given its international presence, DF Group must analyse and manage risks in highly diverse economic, political and social environments. The Group currently obtains 89.6% of revenue from projects developed outside of Spain.

Corporate governance and Management Committee

The Board of Directors of the parent company is the chief operating decision-maker. At the date of authorisation for issue of these financial statements, it was composed of six members (four independents). According to the By-laws, its main duties entail defining the strategy, being accountable to shareholders, drawing up the annual financial statements and presenting them to the Annual General Meeting, and overseeing management and financial reporting.

The Audit Committee comprises three members, all independent. Its main duties including supervising corporate governance, ensuring the transparency of the Company's actions, compliance with best practice in governance and with the rules of the Internal Code of Conduct, and informing the Board of any breach to be corrected, or, ultimately, reporting such breach to the shareholders at a General Meeting.

The Nomination and Remuneration Committee comprised two independent members at the date of authorisation for issue of these financial statements. Its main functions include examining the competences, knowledge and experience required of the Board of Directors, defining the remuneration policy, and overseeing a smooth and planned succession of board members.

On 1 December, José María Orihuela Uzal was appointed as Chief Executive Officer, thereby separating the positions of Chairman and Chief Executive.

The Group also added new members to the Management team during the period: a human resources manager, a financial director, a management control director, a legal counsel director, and a production director. The need for further reinforcements, essential in the business development area, is still being assessed.

BUSINESS OUTLOOK

The Group unveiled its strategic plan for 2019/2023 at the Annual General Meeting held on 31 May. The main focus is on cash generation, articulated based on the following principles defined around a realistic strategy:

- Ensuring that each project is self-financed: from the bid, analysing the cash flow of the project tendered to uncover potential requirements and assess viability. During execution, with a monthly review of each project's cash flows, analysing deviations and pre-empting occasional needs for finance, which will be raised locally, to complete the execution of the projects. A new project finance director was brought on board recently to enhance the Group's ability to obtain guarantees and financial projects at source.

- Emphasising profitability over growth: performing a critical cost-return assessment of each project in the bid phase via cross-cutting and multi-disciplinary teams within the Group.

- Working efficiently and controlling costs: performing exhaustive cost control with each project, with monthly analyses of deviations so that the right remedial measures are adopted immediately. A new management control director was hired recently, reporting directly to General Management and tasked with drawing up a comprehensive dashboard for the oversight and detailed analysis of each project and facilitating decision-making.

  Moreover, to drive contractual management from signing a new contractual management director was added who, liaising with the legal department, will oversee fulfilment of each contract.

- Reducing risk: focusing on the Group's current key business risk map, a new risk department director was appointed and the internal control over financial reporting (ICFR) system was updated.

- Redefining the strategic positioning: performing critical assessment of the current industry and international position and focusing on profitable core markets and segments, in line with the sector. In this respect, the Group's strategy was drawn up based on reinforcing the four historically profitable segments (Assembly and Maintenance, Mining and Handling, Heavy Fabrication, and Tanks), which produce recurring orders.

The Group estimates that it will need to raise around €50 million of additional funds to carry out the strategic plan over the next 12 months, €80 million of guarantees for projects in the backlog, sufficient guarantees for approximately 20% of new orders, the necessary waivers from creditor banks to make use of existing assets and funds, and to bring in an industrial partner.

The Group is also still undertaking several actions to instil a culture based on reducing risk exposure, generating cash, and optimising resources to deliver the strategic plan. This includes the following actions:

- maintaining ongoing negotiations with creditor banks to raise the financial resources and guarantees necessary for current operations,

- searching for long-term industrial investors to strengthen its equity and cash positions, contacting all interested parties, and obtaining the support necessary to ensure the Group's viability,

- renegotiating the contractual terms of certain projects under way with customers to mitigate the risk of cost over-runs, delays or additional losses. On this front, the Group is in talks with and has claims in progress against several customers, for a total of €80.5 million at different stages. These were not recognised in the accompanying interim condensed consolidated financial statements since they did not meet the requirements of IFRS 15,

- increasing efforts to win new contracts and enhancing the efficiency of the business structure.

Planned disposals are proceeding to the schedule in the strategic plan. To date, the Cartagena plant has been sold and the final touches are being made to sales of non-core real estate assets.

The first half of 2019 also featured the recent signing of an agreement between the Duro Felguera Group and SC&T Corporation. This agreement is a dual success, as it provides the Group with liquidity and concludes the litigation over the Roy Hill project in which the Group has been immersed in recent years. Also noteworthy was the amicable termination of the contract related to the ILO project, showcasing one of the key targets of the strategic plan focused on projects in traditional markets that contribute greater value.

In summary, the directors, with the help of the Duro Felguera Group's Management Committee, are taking all the necessary measures and actions to obtain appropriate financing to meet liquidity requirements and payment obligations in the ordinary course of operations. They are actively looking at different alternatives for analysis and negotiation. Accordingly, the directors of the parent company have prepared the accompanying interim condensed consolidated financial statements on a going concern basis, considering the favourable outlook for the negotiations under way.

MAIN RISKS AND UNCERTAINTIES

a) Market risk

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk on transactions in foreign currencies, mainly the US dollar (USD) and Australian dollar (AUD), and to a lesser extent, local currencies in emerging countries, the most important of which at present are the Argentine peso (ARP) and Indian rupee (INR). Foreign currency risk arises on future commercial transactions, recognised assets and recognised liabilities.

To manage the foreign currency risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use various methods.

- Most contracts are arranged in "multi-currency", separating the selling price in the various currencies from the expected costs and maintaining the expected margins in euros.

- Financing of working capital relating to each project is denominated in the currency of payment.

Foreign exchange risk arises when future commercial transactions or firm commitments, recognised assets and liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency. The Group's risk management policy is to hedge most of the forecast transactions over the life of each project. However, the operating units are responsible for taking decisions on arranging hedges, using external forward foreign currency contracts, with the involvement of the Group's Treasury Department. Nevertheless, there were no outstanding hedges at 30 June 2019.

(ii) Price risk

Projects that last two or more years initially involve a contract price risk, due to the effect of the increase in costs to be contracted, particularly when operating in the international market in economies with high inflation rates.

At other times, contract or related subcontract prices are denominated in stronger currencies (mainly USD) payable in local currency at the rate ruling on the collection date. These conditions are passed on to subcontractors.

(iii) Cash flow and fair value interest rate risk

As the Group has no significant non-current interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from non-current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on profit or loss of a 10 basis point shift would be an increase/decrease of €71 thousand (2018: €-281 thousand).

b) Credit risk

The Group manages credit risk by taking into account the following groupings of financial assets:

- Assets arising from derivative financial instruments and sundry balances included in cash and cash equivalents.
- Balances related to trade and other receivables

Derivative financial instruments and transactions with financial institutions included in cash and cash equivalents are arranged with renowned financial institutions. The Group also has policies in place to limit the amount of risk held with respect to any financial institution.

Regarding trade balances and receivables, worth noting is that, given the nature of the business, there is a concentration based on the Group's most important projects. The counterparties are mostly state or multinational corporations, operating primarily in the energy, mining, and oil & gas industries.

Our main customers represent 77% of "Trade and other receivables" at 30 June 2019 (2018: 79%), relating to operations with the type of institutions indicated above. Accordingly, the Group considers that credit risk is extremely limited. In addition to the analysis performed before entering into a contract, the overall position of "Trade and other receivables" is monitored on an ongoing basis, while the most significant exposures (including the type of entities mentioned earlier) are monitored individually.

c) Liquidity risk

Prudent liquidity risk entails maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, an objective of the Group's Treasury Department is to maintain flexibility in funding by maintaining availability under committed credit lines. Management also monitors the forecasts for the Group's liquidity reserves based on estimated cash flows.

Key information on liquidity risk are presented in the following table:

	At 30 June 2019	31 December 2018
Borrowings and derivatives	104,029	106,576
Less: Cash and cash equivalents	(85,681)	(103,097)
Net financial debt	18,348	3,479
Undrawn credit lines	-	-
Total liquidity shortfall	**18,348**	**3,479**

Of the balance of "Cash and cash equivalents" at 30 June 2019, €25,351 thousand were restricted as they were pledged for the issue of guarantees for projects or cash deposits made in place of project guarantees (2018: €17,256 thousand).

As indicated in the previous section, the Group is undertaking a series of strategic measures in 2019 to improve its liquidity.

DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2019, the Group had not entered into any derivative financial instruments.

TREASURY SHARE TRANSACTIONS

The parent did not hold any treasury shares at 30 June 2019 or at 30 June 2018 after the capital reduction carried out on 15 June 2018.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Group's business model attaches great importance to technological innovation, with sustained growth through technological development as one of its corporate values.

In the first half of 2019, despite budget constraints, the Group pressed on with R&D+i projects that were already under way at the start of the year, investing a total of €145 thousand (30 June 2018: €88 thousand).

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The following significant events occurred between the closing date of the interim period for the six months ended 30 June 2019 and the date of authorisation for issue of the interim condensed consolidated financial statements:

- In September 2019, the Group entered into an agreement with SC&T Corporation and the amount stipulated therein was received (Note 21).

- On 13 August 2019, the Duro Felguera Group submitted an application for arbitration against Stoneway Capital Corporation and Araucaria Energy, S.A. with the International Court of Arbitration of the International Chamber of Commerce in New York, related to the Matheu and Lujan projects (Note 21).

- Regarding the ILO project to build a new terminal, after negotiations between the parties as a result of binding mediation, a new conciliation agreement was agreed in July 2019. This suspended the contract and any arbitration between the parties to give the mediator time to assess the scenario of amicable termination without the enforcement of guarantees and the transfer of subcontracts to PETROPERU. This will enable the project to continue, which the mediator recommended as the most beneficial to PETROPERU in its September 2019 report.

  PETROPERÚ's board acknowledged the matter on 25 September and expects to take a joint decision on Orderly Termination and Settlement. The Conciliation Procedure agreed on 18 July is expected to be extended for a month to allow for the technical and administrative transfer of the supplies and the subcontracts of equipment to PETROPERÚ, as part of the Settlement, and to allow the land work to continue in the shortest time possible, in the public interest.

- As explained in Note 21, the Group was notified of the commencement of arbitration initiated by General Electric over the CVO project.

- On 18 September 2019, the Board of Directors accepted the resignations tendered by Marta Elorza Trueba and Alejandro Legarda Zaragüeta. Therefore, at the date of authorisation for issue of these interim condensed consolidated financial statements, it was composed of six members.

Given the concerns arising in previous years, the Group engaged an external company (Deloitte Consulting) to review the status of the projects and hired a professional team to do the same. The conclusions of each were that there were no major discrepancies between the value of ongoing projects and their carrying amounts.

The parent company's directors considered all these significant events in the review of their accounting estimates and decision-making, given their importance.