



**TECNICAS REUNIDAS**

## **FIRST HALF RESULTS**

January – June 2018

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2018 First Half Results subject to limited review by Auditors (Deloitte, PWC)

## 1. MAIN HIGHLIGHTS AND GUIDANCE

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- Backlog of € 9 billion
- Order intake of € 1.2 billion
- Sales at € 2.3 billion
- Operating profit at € 17.1 million, with a 0.8 % EBIT margin
- Net cash position of € 207 million
- Dividend of € 50 million for 2018

Backlog at the end of June stood at € 9 billion. The main award added to the backlog in the 1H 2018 was the Bahrein refinery project for BAPCO, worth USD 1.3 billion. Also, the company was awarded three important Front End Engineering and Design (FEED) projects in three key regions: Russia, South East Asia and the Middle East (Jordan).

In line with company expectations, sales stood at € 2.3 billion in 1H 2018, with a 14% decrease compared to 1H 2017, as the major projects in execution were in the engineering and construction stage.

The company's EBIT was € 17.1 million, with an operating margin of 0.8%, in line with the company's guidance. The company's operating margins are being impacted by non-recurrent factors, as mentioned in the past results announcements:

- No oil and gas projects started in 2017, due to delays and cancellations
- Higher difficulties in the recovery of extra costs incurred in the latest stages in some specific projects.

The balance sheet closed with a net cash position of € 207 million, similar to the first quarter of 2018, despite the fact that no downpayments were cashed in during the second quarter. In addition, the company continued to increase its working capital needs for the projects in the Middle East, as the exposure to this region increased. Técnicas Reunidas' backlog exposure to the Middle East was 75% at the end of June.

### Year 2018 Guidance

- Sales: € 4,300 - 4,600 million, impacted by the late start of the already awarded projects
- EBIT Margin: 1.5% - 2.5%, with a progressive improvement during the year
- Commitment to shareholders' remuneration

Juan Lladó, Técnicas Reunidas Chief Executive Officer, commented:

*“Our business model is based on delivering top quality for our clients, which is key to ensure future backlog and pipeline.*

*2018 is a year of quality delivery. We expect to deliver to the highest client satisfaction the large and strategic projects for Socar (Turkey), Petronas (Malaysia), Jizan (Saudi Arabia) and Touat (Algeria). We are already achieving important milestones for the delivery of these projects.*

*At the same time, 2018 is a year of the launch of large, complex and strategic projects, which will be the backbone of our future performance. With the start of the Duqm project the last day of the second quarter, all new projects awarded recently are moving ahead.*

On the commercial front, we are now working on our ever largest pipeline and we expect this pipeline to increase progressively, due to the high level of investments at FEED stage in upstream, refining and petrochemicals. Our product diversification along the oil and gas value chain, will allow us to take advantage on the recovery of our industry, which is a reality.”

**The recovery of the investment in our industry is a reality**

HIGHLIGHTS January - June	1H 2018 € million	1H 2017 € million	Var. %	Year 2017 € million
Backlog	9,027	8,255	9%	9,870
Net Revenues	2,259	2,628	-14%	5,068
EBITDA <sup>(1)</sup>	25.5	117	-78%	122
Margin	1.1%	4.5%		2.4%
EBIT <sup>(1)</sup>	17.1	105	-84%	100
Margin	0.8%	4.0%		2.0%
Net Profit <sup>(2)</sup>	6.9	67	-90%	64
Margin	0.3%	2.5%		1.3%
Net Cash Position <sup>(1)</sup>	207	225	-8%	231

<sup>(1)</sup> Figures classified as Alternative Performance Metrics ("APMs"). See appendix.

<sup>(2)</sup> Net Profit from Continuing Operations

Técnicas Reunidas will hold a conference call today at 4:00 PM CET. It can be accessed through the link in its homepage <http://www.tecnicasreunidas.es/en/>.

## 2. BACKLOG

	Project	Country	Client
Refining and Petrochemical	Sitra refinery	Bahrain	BAPCO
	Baku refinery	Azerbaijan	SOCAR
	Duqm refinery	Oman	DRPIC
	Ras Tanura refinery	Saudi Arabia	Saudi Aramco
	Al Zour refinery	Kuwait	KNPC
	Minatitlán refinery	Mexico	Pemex
	Westlake petrochemical complex	US	Sasol
	Talara refinery	Peru	Petroperu
	Jazan refinery	Saudi Arabia	Saudi Aramco
	RAPID refinery*	Malaysia	Petronas
Star refinery*	Turkey	SOCAR	
Upstream & Gas	Haradh	Saudi Arabia	Saudi Aramco
	Fadhili	Saudi Arabia	Saudi Aramco
	GT5	Kuwait	KNPC
	Jazan IGCC	Saudi Arabia	Saudi Aramco
	GASCO	United Arab Emirates	ADNOC / Total / Shell
	Touat gas field	Algeria	GDF Suez / Sonatrach
Power	Biomass plant	UK	MGT Teeside
	Turów	Poland	Polska Grupa Energetyczna
	Tierra Mojada	Mexico	Fisterra Energy
	Kilpilahti	Finland	Neste / Veolia / Borealis

\* Project in mechanical completion or carrying out services for the start up phase of the plant

### **Backlog as of June, 30<sup>th</sup> 2018**

At the end of June 2018, Técnicas Reunidas' backlog amounted to € 9,027 million, 9% up compared to the same period of the year before.

Oil and Gas projects stood for 95% of the total backlog, whereas the Power division accounted for 5%.

The main award added to the backlog in the first half of the year was the following:

- In February, Técnicas Reunidas, jointly with its JV partners, Samsung and Technip, signed a contract with Bahrain Petroleum Company (Bapco) for the Bapco Modernization Program (BMP). The project is located on Bahrain's Eastern coast and involves the expansion of the capacity of the existing Sitra refinery from 267,000 up to 360,000 barrels per day. It includes the improvement of energy efficiency, the monetization of the bottom of the barrel, the enhancement of products slate and the compliance of products with environmental regulations.

The project will be executed on an Engineering, Procurement, Construction and Commissioning (EPCC) lump sum turnkey basis and is expected to be completed in 2022. The scope of the project for Técnicas Reunidas, will include the detailed engineering of some of the most complex units, such as the crude unit, vacuum unit, hydrocracker, saturated gas plants 1&2, and

other auxiliary facilities. The company and will also directly participate in the Directorate of the JV in the procurement and construction activities for the whole project.

The contract value for the JV amounts to USD 4.2 billion and the share of the contract for Técnicas Reunidas is USD 1.35 billion.

Also, in the first months of 2018, the company was awarded three high value – added “Front End Engineering and Design” (FEEDs):

- Técnicas Reunidas will perform the FEED for the “Advanced oil refining Complex” of the GazpromNeft Refinery of Moscow, in Russia. The scope of the project involves the design of complex conversion units, in which Técnicas Reunidas has great expertise. The company is proud of being involved in early stages of this project where the most efficient design can be delivered to its client, GazpromNeft. Técnicas Reunidas will seek to participate in the future projects for the execution of this FEED.
- Jordan Petroleum Refinery Company (JPRC) awarded to TR, the FEED for the expansion of the refinery of Al-Zarqa in Jordan. From a technical standpoint, the project involves the design of highly advanced units, such as a slurry hydrocracker. From a strategic standpoint, Técnicas Reunidas will be in this project in close contact with the client for the very early stages, from the bankable feasibility study to the basic design; and also assisting with the financial structuring and the definition of the future execution strategy of the project. Técnicas Reunidas will indeed seek to roll-over to an Engineering, Procurement and Construction (EPC) contract.
- Técnicas Reunidas started the execution of a FEED for a refinery in South East Asia for an undisclosed client. This project is a new step for the growth of the company in this very important region, where Técnicas Reunidas is pursuing several investments. Técnicas Reunidas will participate to win the EPC work of this FEED.

### 3. CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT January - June	1H 2018 € million	1H 2017 € million	Var. %	Year 2017 € million
<b>Net Revenues</b>	<b>2,259.5</b>	<b>2,628.0</b>	<b>-14.0%</b>	<b>5,067.9</b>
Other Revenues	0.9	1.1		1.8
<b>Total Income</b>	<b>2,260.4</b>	<b>2,629.1</b>	<b>-14.0%</b>	<b>5,069.8</b>
Raw materials and consumables	-1,688.6	-1,965.8		-4,051.0
Personnel Costs	-300.6	-299.4		-581.5
Other operating costs	-245.6	-246.7		-315.4
<b>EBITDA</b>	<b>25.5</b>	<b>117.1</b>	<b>-78.3%</b>	<b>121.9</b>
Amortisation	-8.3	-12.5		-21.5
<b>EBIT</b>	<b>17.1</b>	<b>104.6</b>	<b>-83.6%</b>	<b>100.4</b>
Financial Income/ expense	-6.2	-9.1		-6.9
Share in results obtained by associates	-0.8	-1.4		-2.3
<b>Profit before tax</b>	<b>10.2</b>	<b>94.1</b>	<b>-89.2%</b>	<b>91.2</b>
Income taxes	-3.3	-27.3		-27.2
<b>Net Profit from Continuing Operations</b>	<b>6.9</b>	<b>66.8</b>	<b>-89.7%</b>	<b>64.0</b>
<b>Net Loss from Discontinued Operations</b>	<b>-0.1</b>	<b>-0.2</b>		<b>-5.0</b>
<b>Net Profit after Discontinued Operations</b>	<b>6.8</b>	<b>66.6</b>	<b>-89.9%</b>	<b>59.0</b>
Minority Interest	1.3	9.5		-19.4
<b>Net Profit Attributable to Company Sahreholders</b>	<b>5.5</b>	<b>57.1</b>	<b>-90.4%</b>	<b>39.5</b>

#### 3.1 REVENUES

REVENUES BREAKDOWN January - June	1H 2018 € million	%	1H 2017 € million	%	Var. %	Year 2017 € million
Oil and gas	1,816.1	80.4%	2,239.9	85.2%	-18.9%	4,281.5
Power & Water	378.0	16.7%	327.1	12.4%	15.5%	684.3
Other Industries	65.4	2.9%	61.0	2.3%	7.2%	102.1
<b>Net Revenues</b>	<b>2,259.5</b>	<b>100%</b>	<b>2,628.0</b>	<b>100%</b>	<b>-14.0%</b>	<b>5,067.9</b>

In 1H 2018, net revenues decreased by 14.0% to € 2,259.5 million, as major projects in the backlog were in the engineering and construction stage.

Sales from the Oil and Gas division went down 18.9% and reached €1,816.1 million in 1H 2018. Oil and Gas revenues represented the vast majority of total sales (80%):

- Refining and Petrochemical: The projects with the highest contribution to sales were the following: Ras Tanura for Saudi Aramco (Saudi Arabia), Al Zour for KNPC (Kuwait), Talara for Petroperu (Peru) and STAR for SOCAR (Turkey).
- Upstream and Natural Gas: The main contributors to sales were: the Fadhili project for Saudi Aramco (Saudi Arabia), the GT5 project for KNPC (Kuwait), the Jazan IGCC for Saudi Aramco (Saudi Arabia) and the Gasco project for ADNOC/Total/Shell (UAE).

Revenues from the power and water division increased 15.5% to € 378 million in 1H 2018. The Tierra Mojada CCGT for Fistera Energy (Mexico), the Teeside biomass project for MGT Teeside (UK) and the Turow coal plant for Polska Grupa Energetyczna (Poland), were the largest contributors to sales.

### 3.2 OPERATING AND NET PROFIT

OPERATING AND NET PROFIT January - June	1H 2018 € million	1H 2017 € million	Var. %	Year 2017 € million
EBITDA	25.5	117.1	-78.3%	121.9
Margin	1.1%	4.5%		2.4%
EBIT	17.1	104.6	-83.6%	100.4
Margin	0.8%	4.0%		2.0%
Net Profit*	6.9	66.8	-89.7%	64.0
Margin	0.3%	2.5%		1.3%

\* Net Profit from Continuing Operations

EBIT BREAKDOWN January - June	1H 2018 € million	1H 2017 € million	Var. %	Year 2017 € million
Operating Profit from divisions	61.0	150.7	-59.5%	201.3
Costs not assigned to divisions	-43.9	-46.1	-4.7%	-100.9
<b>Operating profit (EBIT)</b>	<b>17.1</b>	<b>104.6</b>	<b>-83.6%</b>	<b>100.4</b>

Financial Income/Expense January - June	1H 2018 € million	1H 2017 € million	Year 2017 € million
Net financial Income *	-2.4	-1.1	-0.7
Gains/losses in transactions in foreign currency	-3.8	-8.0	-6.2
<b>Financial Income/Expense</b>	<b>-6.2</b>	<b>-9.1</b>	<b>-6.9</b>

\* Financial income less financial expenditure

1H 2018 EBIT was € 17.1 million and Operating Margin was 0.8%, in line with the guidance provided by the company.

The Operating profit is being impacted by non-recurrent factors:

- No oil and gas projects started in 2017, due to delays and cancellations
- Higher difficulties in the recovery of extra costs incurred in the latest stages in some specific projects.

Net profit was € 6.9 million, impacted by a decrease in financial results, mainly due to a loss in transactions in foreign currency in the 1H 2018 and to a larger consumption of debt.

#### 4. CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET June 30	1H 2018 € million	1H 2017 € million	Year 2017 € million
<b>ASSETS:</b>			
<b>Non-current Assets</b>			
Tangible and intangible assets	43.5	56.4	50.1
Investment in associates	12.6	13.3	13.4
Deferred tax assets	273.7	214.6	254.6
Other non-current assets	13.2	28.6	19.8
	<b>343.0</b>	<b>313.0</b>	<b>337.8</b>
<b>Current assets</b>			
Inventories	19.7	16.9	17.9
Trade and other receivables	2,768.0	2,829.7	2,786.1
Other current assets	91.2	109.8	106.6
Cash and Financial assets	742.6	632.6	637.3
	<b>3,621.6</b>	<b>3,589.0</b>	<b>3,548.0</b>
<b>TOTAL ASSETS</b>	<b>3,964.6</b>	<b>3,901.9</b>	<b>3,885.8</b>
<b>EQUITY AND LIABILITIES:</b>			
<b>Equity</b>	<b>382.1</b>	<b>518.0</b>	<b>463.3</b>
<b>Non-current liabilities</b>			
Financial Debt	314.2	13.7	92.2
Other non-current liabilities	36.5	34.8	44.5
<b>Long term provisions</b>	<b>48.3</b>	<b>67.9</b>	<b>43.2</b>
<b>Current liabilities</b>			
Financial Debt	221.5	393.6	313.8
Trade payable	2,840.1	2,734.5	2,796.0
Other current liabilities	121.9	139.3	132.8
	<b>3,183.5</b>	<b>3,267.5</b>	<b>3,242.5</b>
<b>Total liabilities</b>	<b>3,582.6</b>	<b>3,383.9</b>	<b>3,422.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,964.6</b>	<b>3,901.9</b>	<b>3,885.8</b>
<b>EQUITY</b>			
<b>EQUITY</b> June 30	<b>1H 2018</b> € million	<b>1H 2017</b> € million	<b>Year 2017</b> € million
Shareholders' funds + retained earnings	433.4	584.7	538.1
Treasury stock	-73.6	-73.9	-73.0
Hedging reserve	6.0	-6.4	15.8
Interim dividends	0.0	0.0	-35.9
Minority Interest	16.2	13.6	18.2
<b>EQUITY</b>	<b>382.1</b>	<b>518.0</b>	<b>463.3</b>



NET CASH POSITION June 30	1H 2018 € million	1H 2017 € million	Year 2017 € million
Current assets less cash and financial assets	2,879.0	2,956.4	2,910.7
Current liabilities less financial debt	-2,962.0	-2,873.9	-2,928.8
<b>COMMERCIAL WORKING CAPITAL</b>	<b>-83.0</b>	<b>82.5</b>	<b>-18.1</b>
Financial assets	68.0	67.4	67.4
Cash and cash equivalents	674.6	565.2	569.9
Financial Debt	-535.7	-407.3	-406.0
<b>NET CASH POSITION</b>	<b>206.9</b>	<b>225.3</b>	<b>231.3</b>
<b>NET CASH + COMMERCIAL WORKING CAPITAL</b>	<b>123.9</b>	<b>307.8</b>	<b>213.2</b>

- At the end of June 2018, equity of the company was € 382.1 million, impacted by the reduction of retained earnings, due to the start of the application of NIC 9 and NIC 15 and the payments of dividends.
- The balance sheet closed with a net cash position of € 207 million, similar to the first quarter of 2018, despite the fact that no downpayments were cashed in during the second quarter. In addition, the company continued to increase its working capital needs for the projects in the Middle East, as the exposure to this region increased. Técnicas Reunidas' backlog exposure to the Middle East was 75% at the end of June.
- In January, TR paid € 35.8 million as dividend. In addition, as it was approved at the AGM, the company paid an additional dividend of € 14.2 million on 13th of July. Therefore, total remuneration to shareholders in 2018 was € 50 million.

## APPENDIX

### ALTERNATIVE PERFORMANCE METRICS (“APMs”)

- EBITDA** (“Earnings Before Interest, Taxes, Depreciation, and Amortization”) is a financial indicator used by Management to measure the Group’s ability to generate profits considering only its operations and allows the comparison with other oil services sector companies. It is calculated by deducting from the operating profit, the amortisation and impairments.

Concept	Definition	Jun 18	Jun 17
(+) Revenues	Revenues and other income	2,260.4	2,629.1
(-) Operating expenses	Raw materials and consumables, employee benefit expense, other expenses, depreciation/amortisation and impairment charges	-2,243.2	-2,524.5
<b>= Operating income</b>	<b>Revenues - Operating expenses</b>	<b>17.1</b>	<b>104.6</b>
(+) Depreciation/amortisation and impairment charges	Depreciation/amortisation and impairment charges	8.3	12.5
<b>EBITDA</b>	<b>Operating income excluding depreciation and amortisation</b>	<b>25.5</b>	<b>117.1</b>

- EBIT** is defined as “Earnings Before Interest and Taxes”: It is an indicator of the operating income of the group prior deducting interest and taxes. This indicator is used by Management, together with EBITDA, when comparing to other oil services sector companies. EBIT is equivalent to the “operating profit”. Its calculation was as follow:

Concept	Definition	Jun 18	Jun 17
(+) EBITDA	Operating income excluding depreciation and amortisation	25.5	117.1
(-) Amortisation and depreciation expenses	Depreciation/amortisation and impairment charges	-8.3	-12.5
<b>EBIT</b>	<b>Operating income</b>	<b>17.1</b>	<b>104.6</b>

- Net Cash** is the alternative performance metric, used by Management, to measure the level of liquidity of the Group. It is calculated as the difference between “cash and cash equivalents” plus “financial assets at fair value through profit or loss” deducting the “financial debt” (including “financial debt linked to assets classified as held for sale”). Cash and equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. The calculation has been as follow:

Concept	Definition	Jun 18	Dic 17
(+) Cash and equivalents	Cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less	674.6	569.9
(+) Financial assets at fair value	Financial assets at fair value through profit and loss	68.0	67.4
(-) Financial debt	Short-term and long-term debt with credit entities	-515.7	-384.4
	Borrowings related to the assets classified as held for sale	-20.1	-21.5
<b>NET CASH</b>	<b>Cash and equivalents (+) Financial assets at fair value (-) financial debt</b>	<b>206.9</b>	<b>231.3</b>

### **Disclaimer**

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