TECNICAS REUNIDAS

FULL YEAR RESULTS

January – December 2018

CONTENTS:

2018 Annual accounts audited by Deloitte and Price Waterhouse Coopers

1. MAIN HIGHLIGHTS

- Ramp-up of order intake to USD 4 billion in the last 6 months, which includes a major refining project, awarded in February
- YTD 2019 backlog[1] of € 10 billion
- 2018 Sales at € 4.4 billion
- Operating profit (EBIT) at € 42 million. EBIT adjusted for a non-recurrent provision at € 62 million
- Net cash position of € 258 million

The **2019 YTD backlog** has risen to € 10 billion, due to recent awards of a major refinery project in South East Asia and in power generation. Backlog at the end of December stood at € 9 billion.

The main **2018 awards** were the Bahrein refinery project, the UAE gas treatment plant for ADNOC LNG and the Bu Hasa oil field project for ADNOC Onshore in Abu Dhabi. Also, the company was awarded four important Front End Engineering and Design (FEED) projects in three key regions for prime customers.

Total sales reached € 4.4 billion in 2018, within the range of company guidance. Sales decreased in 2018, due to later than expected commencement of the procurement stage, as a consequence of the delay and late start of oil and gas projects in 2017 and 2018, specifically the Oman and Bahrein projects.

The **company's adjusted EBIT** was € 62 million in 2018, which implies a margin of 1.4%, at the edge of company´s guidance. EBIT includes a € 20 million provision for non-recurrent future liabilities. Net profit was € 14.4 million, affected by the accounting impact of the Turkish lira depreciation.

Operating margins continued to be impacted by non-recurrent factors, as mentioned in past results announcements:

- No oil and gas projects started in 2017, while projects launched in 2018 took place later than expected, which resulted in a sales reduction, idleness, diseconomies of scale and backlog´s unbalance.
- Assumption of extra cost in the last stages of the projects for successful delivery in a very complex crisis environment.

The balance sheet closed with a net cash position of € 258 million, a 37% growth compared to the previous quarter, due to a favourable impact of working capital changes during the period. However, as mentioned in past results, net cash was still impacted by the great exposure to prime customers in the Middle East and working capital needs generated at the final stage of the projects.

[1] Backlog as of 31st of December plus YTD2019 awards deducting the estimate of January and February sales.

Outlook and Guidance for 2019

Positive medium term outlook for awards on the basis of a dynamic and increasing pipeline of opportunities that reached a new high at USD 45 billion, spread over all regions and products, with an acceleration of the bidding pace over the last quarters.

For 2019 the company guides for:

- Backlog increase in line with the higher level of bidding
- Stable sales
- Progressive margin recovery, approaching 4% in the last part of 2019
- Shareholder remuneration in line with market recovery

Juan Lladó, Técnicas Reunidas Chief Executive Officer, commented:

"The recovery of the oil and gas industry that we anticipated last year has become a reality, as real as the last USD 4bn of awards, signed over the last six months. In fact, we have started new jobs in diverse geographies and technologies: gas processing, oil upstream, refining, petrochemicals and power generation.

In addition, we face a pipeline of opportunities larger than three months ago. It is important to note that we are presenting a sizeable amount of bids and our most recent experience shows that awards are now signed and launched without delay.

Regarding the execution of our backlog, I would highlight that we are commissioning and pre-commissioning more than USD 7 billion of projects, with a good part of them already starting operations.

During 2018 and early 2019, we have launched almost USD 9 billion of new projects. Some of these projects are already moving to the procurement stage, which will definitely allow us to manage more effectively the three stages of our business: Engineering, Procurement and Construction.

With a fresh, larger and quality backlog and a record pipeline in front of us, we expect to come back to a growing sales path and to see a recovery of our margins throughout 2019.

Safety and quality delivery of all projects strengthen Técnicas Reunidas' franchise. This is the foundation of our long term success".

The main figures for the year are the following ones:

HIGHLIGHTS *January - December*	**Year 2018** € million	**Year 2017** € million	**Var.** %
Backlog	8,981	9,870	-9%
Net Revenues	4,396.3	5,068	-13%
EBITDA [1]	61.1	122	-50%
Margin	1.4%	2.4%	
Adjusted EBIT [2]	62.1	100	-38%
Margin	1.4%	2.0%	
EBIT [1]	42.1	100	-58%
Margin	1.0%	2.0%	
Net Profit for the year	14.4	59.0	-75%
Margin	0.3%	1.2%	
Net Cash Position [1]	258	231	11%

(1) Figures classified as Alternative Performance Metrics ("APMs"). See appendix.

(2) Adjusted for non-recurrent provision of € 20 million

Técnicas Reunidas will hold a conference call on the 28 of February 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	Bu Hasa	United Arab Emirates	ADNOC Onshore
	Das Island	United Arab Emirates	ADNOC LNG
	Haradh	Saudi Arabia	Saudi Aramco
	Fadhili	Saudi Arabia	Saudi Aramco
	GT5	Kuwait	KNPC
	Jazan IGCC	Saudi Arabia	Saudi Aramco
	Touat gas field*	Algeria	GDF Suez / Sonatrach
	GASCO*	United Arab Emirates	ADNOC / Total / Shell
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 December, 31st 2018

At the end of December 2018, Técnicas Reunidas' backlog amounted to € 8.98 billion, 9% lower compared to the € 9.87 billion reached at the end of December 2017. 2019 YTD backlog escalates back to € 10 billion level, with the recently awarded projects in power generation and in refining in South East Asia.

Oil and Gas projects comprised 98% of the total backlog, whereas the Power division accounted for 2%.

FY 2018 order intake was € 2.8 billion which includes the Bapco refinery project in Bahrein, the UAE gas treatment plant for ADNOC LNG and the Bu Hasa oil field project for ADNOC Onshore in Abu Dhabi. Also, the company was awarded four important FEEDs projects in three key regions: Russia, South East Asia and the Middle East.

The main award added to the backlog in the fourth quarter of the year was the Bu Hasa field project in Abu Dhabi:

- ADNOC ONSHORE awarded to Técnicas Reunidas the Engineering, Procurement and Construction of the Bu Hasa Integrated Oil Field Development Project in the United Arab Emirates.

  The Contract will have an approximate value of USD 1,440 million and will have an execution period of 39 months.

The scope of this oil upstream project will include engineering, equipment and material supply, construction, installation, pre-commissioning, commissioning, testing and start-up of a new oil gathering system, new gas compression facilities, and new produced water injection network, as well as the upgrade of the water treatment facilities in the existing plant.

2019 Awards

- ***South East Asia new contract:*** Técnicas Reunidas was selected to undertake the engineering, procurement and construction for a proposed refinery expansion project in South East Asia.

  This Engineering, Procurement and Construction (EPC) contract is part a proposed multi-billion dollar investment, envisioned to start production in 2023. The refinery expansion will allow the production of higher value products from fuel oil.

  This project marks the second standalone award for Técnicas Reunidas in South East Asia and further strengthens its presence in this key region.

- ***Combined cycle in Abu Dhabi*:** As part of a consortium with General Electric, Técnicas Reunidas signed a new combined cycle plant in the United Arab Emirates.

  The scope value for Técnicas Reunidas will be above USD 350 million. This new combined cycle will be fuelled by natural gas and will meet the latest emission standards and will provide electricity to the Emirate of Sharjah. The project will be executed in 53 months.

- ***New large combined cycle***: Técnicas Reunidas Power and Water Division was selected in November 2018 for a large combined cycle power plant, with a value above USD 550 million. Customer is undisclosed. The plant, with a power output above 1,000 MW, will use the latest gas turbine generation technology. Financial closing is expected by mid-2019. The execution of a project of this kind is 36 months.

2018 FEEDs and R&D projects

The company is continuously awarded conceptual studies, feasibility studies and FEEDs. These projects contribute to strengthening our relationship with clients and are crucial to keep developing our leading technical and technological capabilities. The company is reinforcing its strategy to carry out more projects of this type. Also, Técnicas Reunidas participates in different projects for research and development of new technologies.

The main FEEDs and feasibilities studies awarded during 2018 were:

- ***FEED for ADNOC/CEPSA***: ADNOC, and its project partner Cepsa, awarded last November to Técnicas Reunidas the FEED of a world-scale Linear Alkyl Benzene (LAB) plant in the Ruwais Derivatives Park. The LAB project is the first unit under ADNOC's USD 45 billion Ruwais downstream investment program. LAB is used as raw material in the manufacture of biodegradable household and industrial detergents, house cleaners and soap bars.

- ***FEED for the GazpromNeft Refinery in Russia***: 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 at the early stages of this project where the most efficient design can be delivered to its client, Gazprom Neft. Técnicas Reunidas will seek to participate in the later stages of this project.

- **FEED in Jordan:** 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 the assistance with the financial structuring and the definition of the future execution strategy of the project. Técnicas Reunidas will indeed seek to roll-over this contract into an EPC contract.

- **FEED for a Refinery in South East Asia:** 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.

Research and Development in 2018

During 2018, thanks to the efforts and investment on R&D made by Técnicas Reunidas throughout the past years, the company developed two new technologies, within Raw Materials strategic field: **LIP4CAT™** for calcine leaching and **DATMOS™** for sulphide bearing materials leaching, aiming both to produce ultra-pure zinc products. Also in 2018, three additional processes became a reality in relation to the environment and circular economy: **HALOMET™** technology that treats solid urban wastes for Zn recovery among other metals; **PHOS4LIFE™** technology to produce technical grade phosphoric acid from incinerators sewage sludge; and **WALEVA™** technology which aims to generate levulininc acid using several types of biomass residues.

Also during 2018, Técnicas Reunidas took part in eight European and Spanish Research and Development projects with a budget over € 11 million:

- **BIORECOVER**: A European project, focused on the recovery of rare earth elements from critical materials.
- **WALEVA-TECH**: A Spanish project (CDTI), to develop technology for high added value products from lignocellulosic biomass residues.

3. CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT January - December	Year 2018 € million	Year 2017 € million	Var. %
Net Revenues	**4,396.3**	**5,067.9**	**-13.3%**
Other Revenues	6.8	1.8	
Total Income	**4,403.1**	**5,069.8**	**-13.1%**
Raw materials and consumables	-3,436.6	-4,051.0	
Personnel Costs	-584.0	-581.5	
Other operating costs	-321.4	-315.4	
EBITDA	**61.1**	**121.9**	**-49.9%**
Amortisation	-18.9	-21.5	
EBIT	**42.1**	**100.4**	**-58.0%**
Financial Income/ expense	-18.8	-6.9	
Share in results obtained by associates	-1.0	-2.3	
Profit before tax	**22.3**	**91.2**	**-75.6%**
Income taxes	-7.8	-27.2	
Profit for the year from continuining operations	**14.4**	**64.0**	**-77.4%**
Profit (loss) from discontinued operations	**0.0**	**-5.0**	
Profit for the year	**14.4**	**59.0**	**-75.5%**
Non-controlling interests	**-2.5**	**-19.4**	
Profit Attibutable to owners of the parent	**12.0**	**39.5**	**-69.7%**

3.1 REVENUES

REVENUES BREAKDOWN January - December	Year 2018 € million	%	Year 2017 € million	%	Var. %
Oil and gas	3,717.0	84.5%	4,281.5	84.5%	-13.2%
Power & Water	578.1	13.2%	684.3	13.5%	-15.5%
Other Industries	101.2	2.3%	102.1	2.0%	-0.9%
Net Revenues	**4,396.3**	**100%**	**5,067.9**	**100%**	**-13.3%**

In 2018, net revenues decreased to € 4,396.3 million, due to later than expected commencement of the procurement stage, as a consequence of the delay and late start of oil and gas projects in 2017 and 2018, specifically the Oman and Bahrein projects.

Sales from the oil and gas division went down 13% and reached € 3,717 million in 2018. Oil and Gas revenues represented the vast majority of total sales (85%):

- 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) and Talara for Petroperu (Peru).
- Upstream and Natural Gas: The main contributors to sales were: the Fadhili project and the Haradh project both for Saudi Aramco (Saudi Arabia), the

GT5 project for KNPC (Kuwait) and the Jazan IGCC for Saudi Aramco (Saudi Arabia).

Revenues from the power division decreased by 16% to € 578 million in 2018. The Tierra Mojada CCGT for Fisterra Energy (Mexico) and the Teeside biomass project for MGT Teeside (UK), were the largest contributors to sales.

3.2 OPERATING AND NET PROFIT

Adjusted Operating Profit BREAKDOWN January - December	Year 2018 € million	Year 2017 € million	Var. %
Adjusted Operating Profit from divisions*	162.6	201.3	-19.2%
Costs not assigned to divisions	-100.5	-100.9	-0.4%
Adjusted Operating profit*	**62.1**	**100.4**	**-38.1%**

*Adjusted for non-recurrent provision of € 20 million

Financial Income/Expense January - December	Year 2018 € million	Year 2017 € million
Net financial Income *	-6.6	-0.7
Gains/losses in transactions in foreign currency	-12.2	-6.2
Financial Income/Expense	**-18.8**	**-6.9**

* Financial income less financial expenditure

2018 EBIT was € 42.1 million. This figure includes a non-recurrent provision of € 20 million. Therefore, operating margin was 1.0%, and when adjusted for the provision, it increased to 1.4%.

The overall Operating Profit for 2018 was impacted by non-recurrent factors:

- No oil and gas projects started in 2017 and the launch of projects in 2018 took place later than expected, which resulted in a sales reduction, idleness, diseconomies of scale and the unbalance the backlog.
- Assumption of extra cost in the last stages of the projects for successful delivery in a very complex, crisis environment.

Net profit was € 14.4 million, impacted by a lower EBIT and a decrease in financial results. This decrease was mainly due to an accounting loss of € 12 million, related to foreign currency translation effects due to Turkish lira depreciation.

4. CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET December 31	Year 2018 € million	Year 2017 € million
ASSETS:		
Non-current Assets		
Tangible and intangible assets	90.9	50.1
Investment in associates	12.7	13.4
Deferred tax assets	319.3	254.6
Other non-current assets	92.0	19.8
	514.9	**337.8**
Current assets		
Inventories	23.0	17.9
Trade and other receivables	2,421.7	2,786.1
Other current assets	19.7	106.6
Cash and Financial assets	745.6	637.3
	3,210.0	**3,548.0**
TOTAL ASSETS	**3,724.9**	**3,885.8**
EQUITY AND LIABILITIES:		
Equity	**358.6**	**463.3**
Non-current liabilities	**446.9**	**136.7**
Financial Debt	388.5	92.2
Other non-current liabilities	58.4	44.5
Long term provisions	**39.6**	**43.2**
Current liabilities		
Financial Debt	99.4	313.8
Trade payable	2,654.1	2,796.0
Other current liabilities	126.3	132.8
	2,879.8	**3,242.5**
Total liabilities	**3,366.3**	**3,422.5**
TOTAL EQUITY AND LIABILITIES	**3,724.9**	**3,885.8**

EQUITY December 31	Year 2018 € million	Year 2017 € million
Shareholders' funds + retained earnings	426.4	538.1
Treasury stock	-74.1	-73.0
Hedging reserve	-7.3	15.8
Interim dividends	0.0	-35.9
Minority Interest	13.6	18.2
EQUITY	**358.6**	**463.3**

NET CASH POSITION December 31	Year 2018 € million	Year 2017 € million
Current assets less cash and financial assets	2,464.4	2,910.7
Current liabilities less financial debt	-2,780.4	-2,928.8
COMMERCIAL WORKING CAPITAL	**-315.9**	**-18.1**
Financial assets	64.8	67.4
Cash and cash equivalents	680.8	569.9
Financial Debt	-487.9	-406.0
NET CASH POSITION	**257.7**	**231.3**
NET CASH + COMMERCIAL WORKING CAPITAL	**-58.2**	**213.2**

At the end of December 2018, equity of the company was € 358.6 million, impacted by the reduction of retained earnings, due to the start of the application of NIC 9 and NIC 15, dividend payments and the change of sign of the hedging reserve.

The balance sheet closed with a net cash position of € 258 million, a 37% growth compared to the last quarter, due to a favourable impact of the working capital in the quarter.

2018 Working capital variation was €-298 million. This figure includes certain reclassifications: the assets for sale from the infrastructure division move from current assets to fixed assets (€52.3 million) and the move of a non-current provision to a current provision of 27 million, plus the effect of the application of NiC9 and NIC 15.

However, as mentioned in past results, net cash is still impacted by the great exposure to prime customers in the Middle East and the working capital needs generated at the final stage of the projects.

In January 2018, Técnicas Reunidas paid € 35.8 million as interim dividend and the company paid an additional dividend of € 14.2 million in July. Therefore, total remuneration to shareholders paid in 2018 was € 50 million.

APPENDIX: ALTERNATIVE PERFORMANCE METRICS (“APMs”)

1. **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	Dic 18	Dic 17
(+) Revenues	Revenues and other income	4,403.1	5,069.8
(-) Operating expenses	Raw materials and consumables, employee benefit expense, other expenses, depreciation/amortisation and impairment charges	-4,361.0	-4,969.4
= Operating income	**Revenues - Operating expenses**	**42.1**	**100.4**
(+) Depreciation/amortisation and impairment charges	Depreciation/amortisation and impairment charges	18.9	21.5
EBITDA	**Operating income excluding depreciation and amortisation**	**61.1**	**121.9**

2. **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	Dic 18	Dic 17
(+) EBITDA	Operating income excluding depreciation and amortisation	61.1	121.9
(-) Amortisation and depreciation expenses	Depreciation/amortisation and impairment charges	-18.9	-21.5
EBIT	**Operating income**	**42.1**	**100.4**

3. **Adjusted EBIT** is defined as EBIT, excluding non recurrent items and it is an indicator used by management to measure the underlying business and to compare with other oil services companies in the sector.

Concept	Definition	Dic 18	Dic 17
(+) EBIT	Operating income	42.1	100.4
(+) Non-recurrent items	Provision for non-recurrent future liabilities	20.0	0.0
Adjusted EBIT	**Operating income excluding non-recurrent items**	**62.1**	**100.4**

4. **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	Dic 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	680.8	569.9
(+) Financial assets at fair value	Financial assets at fair value through profit and loss	64.8	67.4
(-) Financial debt	Short-term and long-term debt with credit entities	-487.9	-384.4
	Borrowings related to the assets classifies as held for sale	0.0	-21.5
NET CASH	**Cash and equivalents (+) Financial assets at fair value (-) financial debt**	**257.7**	**231.3**

Disclaimer

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