TECNICAS REUNIDAS

# FIRST QUARTER RESULTS

## January – March 2020

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## 1. Main Highlights

- Backlog of €10.9 billion
- Q1 2020 Order intake of €1.9 billion
- Sales at €1,181 million
- Operating profit (EBIT) at €23.7 million, with a 2.0% EBIT margin
- Net profit at €8.7 million
- Net cash position of €419 million

**Backlog** at the end of March stood at €10.9 billion. In Q1 2020, the main award added to the backlog was the important refining project for Sonatrach at Haoud el-Hamra, Hassi Messaoud (Algeria), with a value of $2 billion for Técnicas Reunidas.

**Total sales** reached €1,181 million in Q1 2020, growing 29% versus Q1 2019. Sales in the last month of the quarter were slightly affected by Covid-19 disruptions.

Q1 2020 **EBIT** was €23.7 million, that compares to the Q1 2019 EBIT of €10.6 million, with an increase of 124% year on year. Growth in operating profit was favoured by the contribution of newer projects with healthier margins and despite the slowdown of project execution due to Covid in the last month of the quarter.

**Net profit** in Q1 2020 reached €8.7 million, a 134% higher than in the same period of last year.

**Net cash position** at the end of March stood at €419 million. The healthy cash position reflects the maintenance of a good progress in working capital, with no cash downpayments being received in the quarter.

Outlook and Guidance for 2020

At present, it is very difficult to accurately assess the concrete dimension of the Covid-19 impacts. As a consequence, we have decided to temporarily suspend our quantitative guidance for the year 2020 until the level of uncertainty diminishes. Nonetheless, we still feel highly confident in the good evolution of sales and margins throughout 2020, as we are executing a strong backlog, and margins are further supported by optimisation and efficiency measures and the progression of newer projects. The company will restate a quantitative guidance for 2020 in future quarterly result presentations, as soon as there is sufficient stability in the economic environment.

Juan Lladó, Técnicas Reunidas Chief Executive Officer, commented:

*“We are living unprecedented times, which are a real test to all of us. I am highly satisfied with how Técnicas Reunidas has been able to respond to this challenge. Once secured the safety of our employees, clients and suppliers, we have swiftly moved to put all our technological and human capacities to work to ensure business continuity and deliver the best solutions for our customers.*

*I think we have done a good job in all those fronts. We have immediately adapted to smart work by ramping up all our digital and communication processes, already achieving high productivity levels in engineering. We are also thankful to our clients for the results achieved: their strong management capacities and their trust in TR are being key in efficiently adapting project execution to the new environment.*

*It is difficult to assess the final, exact impact of this crisis on any company. However, in our case, we start from a very solid foundation, provided by a robust backlog that ensures a high level of activity for several years. The pace of execution, in some cases, has slowed, as we are adapting to client needs and to the logistical and operating difficulties derived from the pandemic. Nevertheless, the good news are that we are currently working on every single project in the backlog, a sign of the soundness of the projects and financial strength of our clients, the major players in our industry.*

*Regarding our current bidding pipeline, we are only facing time delays and not project cancellations. Furthermore, we expect a stronger resilience in refining, petrochemicals and natural gas projects, as well as in projects in the Middle East. We have a strong focus on those sectors and on this region.*

*I feel fully confident on our capacity to face the difficulties, as managing complexity is in the DNA of our company. That confidence is also supported by a solid initial backlog and liquidity position, as well as by the efficiency measures that Técnicas Reunidas is implementing and that will bear fruit in the next quarters. Times will not be easy, but I am definitely sure that we will emerge from this major disruption as a stronger company.”*

The main figures for the quarter are the following ones:

| HIGHLIGHTS *January - December* | Q1 2020 € million | Q1 2019 € million | Var. % | Year 2019 € million |
|---|---|---|---|---|
| **Backlog** | 10,915 | 10,034 | 9% | 10,026 |
| **Net Revenues** | 1,181 | 915 | 29% | 4,699 |
| **EBITDA** (1) | 35.4 | 19.9 | 78% | 110.2 |
| *Margin* | 3.0% | 2.2% | | 2.3% |
| **EBIT** (1) | 23.7 | 10.6 | 124% | 68.2 |
| *Margin* | 2.0% | 1.2% | | 1.5% |
| **Net Profit** (2) | 8.7 | 3.7 | 134% | -10.0 |
| *Margin* | 0.7% | 0.4% | | -0.2% |
| **Net Cash Position** (1) | 419 | 219 | 91% | 371 |

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

(2) Profit for the year from continuining operations

Técnicas Reunidas will hold a conference call today at 16:00 CET. It can be accessed through the link in its homepage http://www.tecnicasreunidas.es/en/

## 2. BACKLOG

| | Project | Country | Client |
|---|---|---|---|
| Refining and Petrochemical | ExxoMobil´ refinery | Singapore | ExxonMobil |
| | 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 |
| | Talara refinery | Peru | Petroperu |
| | Jazan refinery* | Saudi Arabia | Saudi Aramco |
| | Polyethylene plant | Canada | Nova Chemicals |
| | Hassi Messaoud refinery | Algeria | Sonatrach |
| Upstream & Gas | Marjan | Saudi Arabia | Saudi Aramco |
| | 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 |
| Power | Sewa | United Arab Emirates | Sumitomo / GE EFS |
| | 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 March 31st ,2020

At the end of March 2020, Técnicas Reunidas' backlog amounted to € 10.9 billion, 9% higher compared to the € 10.0 billion reached at the end of December 2019. Oil and Gas projects comprised 95% of the total backlog, whereas the Power division accounted for 5%.

Q1 2020 order intake was € 1.9 billion, the main awards added to the backlog in the first quarter was the Sonatrach project in Algeria.

In January, Sonatrach, the Algerian National Oil Company, and Técnicas Reunidas signed a contract for the execution of project for a grassroots refinery, at Haoud el-Hamra, Hassi Messaoud, in Algeria. The project will be executed in a Joint Venture (JV) with Samsung Engineering Ltd. Co. Técnicas Reunidas will be the leader of the JV, with a 55% share.

The contract has an approximate total value of US$ 3,700 million, with the share of TR exceeding US$ 2,000 million. The new refinery will have a processing capacity of five million tons/year.

The scope of the project includes the execution of a completely new refinery, including all the process and environmental units, as well as the necessary auxiliary services. The project includes some of the most advanced processing units, with technologies that are targeted to deep conversion, clean fuel production and fulfilment of stringent environmental requirements.

The Hassi Messaoud project is one of the largest investments made in Algeria and is part of an ambitious program, with the objective of increasing the local production of energy products to meet with Algeria's increasing demand, while adapting oil products internally consumed to European environmental standards (Euro V). The design and execution of the plant will aim to fulfil the most stringent safety and environmental standards.

## 3. CONSOLIDATED INCOME STATEMENT

| CONSOLIDATED INCOME STATEMENT<br>January - December | Q1 2020<br>€ million | Q1 2019<br>€ million | Var.<br>% | Year 2019<br>€ million |
|---|---|---|---|---|
| **Net Revenues** | **1,180.7** | **914.5** | **29.1%** | **4,699.1** |
| Other Revenues | 0.6 | 1.5 | | 7.8 |
| **Total Income** | **1,181.3** | **916.0** | **29.0%** | **4,706.9** |
| Raw materials and consumables | -926.3 | -664.3 | | -3,679.5 |
| Personnel Costs | -161.1 | -164.7 | | -610.8 |
| Other operating costs | -58.6 | -67.0 | | -306.4 |
| **EBITDA** | **35.4** | **19.9** | **77.9%** | **110.2** |
| Amortisation | -11.7 | -9.3 | | -42.1 |
| **EBIT** | **23.7** | **10.6** | **123.7%** | **68.2** |
| Financial Income/ expense | -11.3 | -3.6 | | -12.6 |
| Share in results obtained by associates | 0.0 | -1.3 | | 0.3 |
| **Profit before tax** | **12.4** | **5.7** | **116.6%** | **55.8** |
| Income taxes | -3.7 | -2.0 | | -65.8 |
| **Profit for the year from continuining operation** | **8.7** | **3.7** | **134.5%** | **-10.0** |
| **Profit (loss) from discontinued operations** | **0.0** | **0.0** | | **0.0** |
| **Profit for the year** | **8.7** | **3.7** | **134.5%** | **-10.0** |
| **Non-controlling interests** | **-1.6** | **0.2** | | **-0.8** |
| **Profit Attibutable to owners of the parent** | **7.1** | **4.0** | **79.4%** | **-9.2** |

### 3.1 REVENUES

| REVENUES BREAKDOWN<br>January - December | Q1 2020<br>€ million | % | Q1 2019<br>€ million | Var.<br>% | Year 2019<br>€ million |
|---|---|---|---|---|---|
| **Oil and gas** | 1,080.5 | 91.5% | 829.1 | 30.3% | 4,273.5 |
| **Power & Water** | 75.7 | 6.4% | 63.1 | 20.0% | 330.9 |
| **Other Industries** | 24.4 | 2.1% | 22.3 | 9.3% | 94.7 |
| **Net Revenues** | **1,180.7** | **100%** | **914.5** | **29.1%** | **4,699.1** |

In Q1 2020, net revenues were € 1,181 million, +29.1% higher than 1Q 2019 sales, despite the slowdown in execution in March due to the effects of Covid-19. Year on year, the higher sales figure reflects the steady progress in the contribution to sales of the growing backlog.

Sales from the **oil and gas division** went up 30.3% and reached € 1,081 million in Q1 2020. Oil and Gas revenues represented the vast majority of total sales (92%):

- Refining and Petrochemical: The projects with the highest contribution to sales were the following: Duqm for DRPIC (Oman), conversion project for BAPCO (Bahrain), Ras Tanura for Saudi Aramco (Saudi Arabia) and Singapore project for ExxonMobil.
- Upstream and Natural Gas: The main contributors to sales were: the Haradh project for Saudi Aramco (Saudi Arabia) and the ADGAS project for ADNOC LNG and Bu Hasa project for ADNOC ONSHORE both in United Arab Emirates.

Revenues from the **power division** stood at € 76 million in Q1 2020, increasing by 20% year on year. This division has been affected by the slowdown in the execution of the UK power project, impacted by Covid factors.

## 3.2 OPERATING AND NET PROFIT

| OPERATING AND NET PROFIT<br>January - December | Q1 2020<br>€ million | Q1 2019<br>€ million | Var.<br>% | Year 2019<br>€ million |
|---|---|---|---|---|
| *EBITDA* | 35.4 | 19.9 | 77.9% | 110.2 |
| *Margin* | 3.0% | 2.2% | | 2.3% |
| EBIT | 23.7 | 10.6 | 123.7% | 68.2 |
| *Margin* | 2.0% | 1.2% | | 1.5% |
| Net Profit* | 8.7 | 3.7 | 134.5% | -10.0 |
| *Margin* | 0.7% | 0.4% | | -0.2% |

*Net Profit from from continuining operations

| EBIT BREAKDOWN<br>January - December | Q1 2020<br>€ million | Q1 2019<br>€ million | Var.<br>% | Year 2019<br>€ million |
|---|---|---|---|---|
| Operating Profit from divisions | 48.9 | 35.3 | 38.4% | 170.7 |
| Costs not assigned to divisions | -25.2 | -24.7 | 1.8% | -102.5 |
| **Operating profit (EBIT)** | **23.7** | **10.6** | **123.7%** | **68.2** |

| Financial Income/Expense<br>January - December | Q1 2020<br>€ million | Q1 2019<br>€ million | Year 2019<br>€ million |
|---|---|---|---|
| Net financial Income * | -7.7 | -0.9 | -0.5 |
| Gains/losses in transactions in foreign currency | -3.6 | -2.7 | -12.1 |
| **Financial Income/Expense** | **-11.3** | **-3.6** | **-12.6** |

* Financial income less financial expenditure

EBITDA for the first quarter of 2020 was € 35.4 million, and EBITDA margin reached 3.0%. Q1 2020 EBIT was € 23.7 million, with an operating margin of 2.0%. Growth in operating profit was favoured by the contribution of newer projects with healthier margins which overcome the small slowdown of project execution due to Covid in the quarter.

Net profit was € 8.7 million, compared to € 3.7 million in the first quarter of 2019. Net profit reflects also the effect of financial results and taxes:

- Financial results decreased due to negative mark to market of financial assets and the negative sign of the transactions of foreign currency from the dollar appreciation versus the euro.

- In the first quarter, the accounted company income tax was €3.7 million, which represents an effective tax rate of 30%.

## 4. CONSOLIDATED BALANCE SHEET

| CONSOLIDATED BALANCE SHEET<br>March 31st | Q1 2020<br>€ million | Q1 2019<br>€ million | Year 2019<br>€ million |
|---|---|---|---|
| **ASSETS:** | | | |
| **Non-current Assets** | | | |
| Tangible and intangible assets | 143.9 | 143.8 | 148.5 |
| Investment in associates | 3.4 | 11.4 | 3.4 |
| Deferred tax assets | 388.2 | 318.7 | 387.4 |
| Other non-current assets | 95.1 | 92.9 | 92.3 |
| | **630.6** | **566.9** | **631.7** |
| **Current assets** | | | |
| Inventories | 5.4 | 24.2 | 5.5 |
| Trade and other receivables | 2,922.0 | 2,533.7 | 2,672.1 |
| Other current assets | 27.7 | 23.3 | 18.3 |
| Cash and Financial assets | 1,081.8 | 748.2 | 952.8 |
| | **4,036.9** | **3,329.4** | **3,648.6** |
| **TOTAL ASSETS** | **4,667.5** | **3,896.2** | **4,280.3** |
| **EQUITY AND LIABILITIES:** | | | |
| **Equity** | **310.5** | **352.0** | **330.0** |
| **Non-current liabilities** | **265.5** | **465.3** | **388.8** |
| Financial Debt | 161.4 | 378.4 | 296.5 |
| Other non-current liabilities | 104.1 | 86.9 | 92.3 |
| **Long term provisions** | **33.7** | **43.6** | **34.3** |
| **Current liabilities** | **4,057.8** | **3,035.3** | **3,527.1** |
| Financial Debt | 501.6 | 150.6 | 285.8 |
| Trade payable | 3,348.1 | 2,748.9 | 2,978.6 |
| Other current liabilities | 208.1 | 135.9 | 262.7 |
| **Total liabilities** | **4,357.0** | **3,544.2** | **3,950.3** |
| **TOTAL EQUITY AND LIABILITIES** | **4,667.5** | **3,896.2** | **4,280.3** |

| EQUITY<br>March 31st | Q1 2020<br>€ million | Q1 2019<br>€ million | Year 2019<br>€ million |
|---|---|---|---|
| Shareholders' funds + retained earnings | 412.8 | 430.7 | 415.3 |
| Treasury stock | -73.5 | -73.4 | -73.8 |
| Hedging reserve | -43.0 | -18.7 | -24.2 |
| Interim dividends | 0.0 | 0.0 | 0.0 |
| Minority Interest | 14.3 | 13.4 | 12.7 |
| **EQUITY** | **310.5** | **352.0** | **330.0** |

| NET CASH POSITION<br>March 31st | Q1 2020<br>€ million | Q1 2019<br>€ million | Year 2019<br>€ million |
|---|---|---|---|
| Current assets less cash and financial assets | 2,955.2 | 2,581.1 | 2,695.8 |
| Current liabilities less financial debt | -3,556.3 | -2,884.7 | -3,241.4 |
| **COMMERCIAL WORKING CAPITAL** | **-601.1** | **-303.6** | **-545.5** |
| Financial assets | 58.9 | 65.6 | 65.1 |
| Cash and cash equivalents | 1,022.9 | 682.6 | 887.6 |
| Financial Debt | -662.9 | -529.0 | -582.3 |
| **NET CASH POSITION** | **418.8** | **219.2** | **370.5** |
| **NET CASH + COMMERCIAL WORKING CAPITAL** | **-182.3** | **-84.4** | **-175.0** |

At the end of March 2020, equity of the company was € 310.5 million, slightly below the end of December of 2019 figure, as the negative hedging reserves account increased.

Net cash position stood at € 418.8 million, growing by 48.3 million from the end of December 2109. The progress in the net cash position reflects the evolution of working capital, and it was achieved despite no major downpayments were received during the quarter. Cash levels are linked to the company's exposure to current client payment terms of the Middle East region.

## IFRS 16: 1Q 2020 Reconciliation

| € Million | Q1 2020 | IMPACT | Q1 2020 Adjusted IFRS 16 |
|---|---|---|---|
| EBITDA | 35.4 | **5.4** | 30.1 |
| DEPRECIATION | 11.7 | **5.2** | 6.5 |
| FINANCIAL CHARGES | 11.3 | **0.1** | 11.2 |
| NET INCOME | 8.7 | **0.0** | 8.7 |
| | | | |
| "RIGHT OF USE" ASSETS | 36.8 | **36.8** | 0.0 |
| SHORT-TERM LEASE LIABILITIES | 11.8 | **11.8** | 0.0 |
| LONG-TERM LEASE LIABILITIES | 25.9 | **25.9** | 0.0 |

## 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 | Mar 20 | Mar 19 |
|---|---|---|---|
| (+) Revenues | Revenues and other income | 1,181.3 | 916.0 |
| (-) Operating expenses | Raw materials and consumables, employee benefit expense, other expenses, depreciation/amortisation and impairment charges | -1,157.6 | -905.4 |
| **= Operating income** | **Revenues - Operating expenses** | **23.7** | **10.6** |
| (+) Depreciation/amortisation and impairment charges | Depreciation/amortisation and impairment charges | 11.7 | 9.3 |
| **EBITDA** | **Operating income excluding depreciation and amortisation** | **35.4** | **19.9** |

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 | Mar 20 | Mar 19 |
|---|---|---|---|
| (+) EBITDA | Operating income excluding depreciation and amortisation | 35.4 | 19.9 |
| (-) Amortisation and depreciation expenses | Depreciation/amortisation and impairment charges | -11.7 | -9.3 |
| **EBIT** | **Operating income** | **23.7** | **10.6** |

3. **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 | Mar 20 | Mar 19 |
|---|---|---|---|
| (+) 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 | 1022.9 | 682.6 |
| (+) Financial assets at fair value | Financial assets at fair value through profit and loss | 58.9 | 65.6 |
| (-) Financial debt | Short-term and long-term debt with credit entities | -662.9 | -529.0 |
| | Borrowings related to the assets classifies as held for sale | 0.0 | 0.0 |
| **NET CASH** | **Cash and equivalents (+) Financial assets at fair value (-) financial debt** | **418.8** | **219.2** |

## Disclaimer

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