TECNICAS REUNIDAS

NINE MONTH RESULTS

January – September 2017

CONTENTS:

1. Sector Outlook

The business environment under which Técnicas Reunidas operates will benefit from a robust Oil and Gas sector investment cycle, as well as from the reinforcement of the Company's industrial positioning in the recent years.

The Oil, Gas and Petrochemical industries will be investing significantly as a result of:

- growth in demand, driven by emerging countries;
- profitability enhancement of existing refineries:
- the need to adapt oil product specifications to more stringent environmental requirements;
- the increasing role of natural gas in the energy matrix worldwide, and
- the impact on the demand for petrochemical products from the growing urbanization and motorization in emerging economies.

The oil and gas sector will be investing significantly in the coming years

Notwithstanding these solid fundamentals for investments in the coming years, the sector has had to endure an unprecedented crisis since 2014, with a reduction in capital expenditure levels not seen in the last thirty years.

This long and deep investment crisis has kept affecting the sector in 2017, even the most resilient areas to oil price volatility, such as Refining, Natural Gas and Petrochemicals.

Under this difficult environment, clients have been applying a more stringent management of their capital expenditure, in terms of cost optimization and in terms of cash control. Clients' capital discipline has translated to the whole supply chain.

Reinforcement of Técnicas Reunidas Industrial Positioning

Amidst this crisis environment, from 2012 to 2016 Técnicas Reunidas was able to grow sales by 81%, at an average annual growth rate of 16%. In these four years, key clients awarded Técnicas Reunidas several strategic projects, which due to their relevance, size and complexity, have strongly reinforced its industrial positioning.

Técnicas Reunidas is a key supplier for the major investors in the oil, gas and petrochemical industries

Técnicas Reunidas' execution capabilities to undertake large and complex projects have been crucial for the company to get prequalified, and lead thereafter the most strategic investment works in the industry, especially in refining, production of natural gas and petrochemicals.

As a result, Técnicas Reunidas is today one of the key suppliers for the major investors in the oil and gas sector worldwide, which translates into repeat business and significant growth scope.

CURRENT SCENARIO FOR TÉCNICAS REUNIDAS

At the start of 2017, Técnicas Reunidas had very good prospects in terms of project awards, both in Latin America and in the Middle East. The company, however, experienced the cancellation of two major projects in Latin America, with a combined value of approximately $2billion. Moreover, during the second half of the year, the company also suffered from unexpected delays in the start of projects in the Middle East and Mexico, with an aggregate value of approximately $4billion. As a result, no major projects in the oil and gas division have been launched so far during 2017.

The Company has decided to maintain the core engineering and project management capabilities for an immediate start of the new projects

This delay in the start of new projects implies that the company does not expect to reach optimal levels of workload until the second half of 2018. In these circumstances, Técnicas Reunidas has taken the decision of maintaining unscathed the core Engineering and Project management capabilities of the Company, despite the lower level of activity over the coming months. The company's aim is to be prepared for an immediate start of the new jobs, even though this will imply a limited period of underutilization of its workforce.

Likewise, in this scenario, Técnicas Reunidas intensified the efficiency and optimisation measures that the company had in place, by taking the pertinent actions in the areas of Engineering, Procurement and Construction. With these measures, the company is seeking to obtain an improvement in efficiency, which will enhance current and future profitability.

2. 9M 2017 MAIN HIGHLIGHTS AND GUIDANCE

The main figures related to the activity of the company are the following ones:

- Order intake at € 2 billion in the 9M 2017, which includes Duqm project
- Backlog at € 8.5 billion
- 13% growth in sales to € 3.9 billion
- Operating profit at € 88 million, with a 2.3% EBIT margin
- Net profit from operations at € 56 million
- Net cash position of € 218 million
- 2016 dividend paid in 2017: € 75 million

Sales of Técnicas Reunidas grew 13% from 9M 2016 to € 3.9 billion in 9M 2017, as the major projects in the backlog are in the procurement and construction stage.

The balance sheet closed with a net cash position of € 218 million. Net Cash movements during 2017 relates primarily to the increase of working capital in projects in the Middle East.

The company's EBIT was € 88 million, with an operating margin of 2.3%. The company's operating margins are being impacted by non-recurrent factors:

- An increase of idle costs because of reduced activity, due to the delay of the launch of major projects.
- The extra costs incurred in some specific projects at the last stage of construction, mechanical completion or commissioning, together with a greater degree of uncertainty about the capacity to recover these costs under the current crisis situation.

COMPANY GUIDANCE

Técnicas Reunidas updated its guidance for 2017 and 2018, in accordance to the new scenario of lower activity described above.

Year 2017 Guidance

- Sales: € 4,900 million – € 5,000 million
- EBIT Margin: 2%

Year 2018 Guidance

- Sales: € 4,300 - 4,600 million, impacted by the delay in the start in major projects
- EBIT Margin: 1.5% - 2.5%, with a progressive improvement during the year
- Commitment to shareholders' remuneration policy

Juan Lladó, Técnicas Reunidas Chief Executive Officer, commented:

"This year has been especially difficult, affected by extraordinary and unexpected factors, such as cancellations of important projects and delays in the start of new ones.

As a result, Técnicas Reunidas had to take the strategic decision to maintain intact the core Engineering and Project Management capabilities, despite the impact on company margins coming from the underutilization of its workforce.

This decision is based on the short and mid-term outlook that we are anticipating for the sector. I feel very confident about the award of large new projects before the year-end. Therefore, today we are ready for a build up to full activity by the second half of next year.

In these last three years, the sector has seen a very challenging period. In this tough environment, Técnicas Reunidas experienced a strong quantitative and qualitative improvement. Our company significantly increased backlog and sales figures. But, most important, we have strengthened our engineering and execution capabilities; we have enhanced our franchise, as we were entrusted by the most relevant clients those projects with greater complexity and strategic profile.

Técnicas Reunidas business proposal is based on our know-how and capabilities on the design and the execution of industrial plants. This strength allows us to tackle with confidence the immediate growth of the business that we are facing."

3. BACKLOG

	Project	Country	Client	Estimated Delivery
Refining and Petrochemical	Duqm refinery	Oman	DRPIC	2021
	Ras Tanura refinery	Saudi Arabia	Saudi Aramco	2021
	Al Zour refinery	Kuwait	KNPC	2019
	Minatitlán refinery	Mexico	Pemex	2019
	Westlake petrochemical complex	US	Sasol	2018
	Heroya Industrial Park	Norway	Yara Norge AS	2018
	RAPID refinery	Malaysia	Petronas	2018
	Talara refinery	Peru	Petroperu	2018
	Star refinery	Turkey	SOCAR	2018
	Jazan refinery	Saudi Arabia	Saudi Aramco	2018
	Antwerp refinery*	Belgium	Total	-
Upstream & Gas	Fadhili	Saudi Arabia	Saudi Aramco	2020
	GT5	Kuwait	KNPC	2019
	Jazan IGCC	Saudi Arabia	Saudi Aramco	2019
	GASCO	United Arab Emirates	ADNOC / Total / Shell	2018
	Touat gas field	Algeria	GDF Suez / Sonatrach	2018
	Hail Field Development*	United Arab Emirates	ADOC	-
Power	Biomass plant	UK	MGT Teeside	2020
	Turów	Poland	Polska Grupa Energetyczna	2020
	Tierra Mojada	Mexico	Fisterra Energy	2020
	Kilpilahti	Finland	Neste / Veolia / Borealis	2018
	Fort Hills*	Canada	Suncor/Total/Teck	-

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

Backlog as of September, 30th 2017

At the end of September 2017, Técnicas Reunidas' backlog amounted to € 8,517 million, down 16%, compared to € 10,090 million reached at the end of September 2016.

Oil and Gas projects stood for 88% of the total backlog, whereas the Power division accounted for 12%.

9M 2017 order intake was € 2,000 million which includes the Duqm refinery project awarded in the 3Q 2017.

Técnicas Reunidas was selected by DRPIC to execute the project of the process units' project for the new refinery of Duqm in Oman.

The contract was awarded to the international Joint Venture lead by Técnicas Reunidas and Daewoo Engineering and Construction for an approximate value of 2,750 million dollar and duration of 47 months. TR holds a 65% stake in the project.

The scope of the contract of TR includes the engineering, supply, construction and commissioning of the following refining units: crude distillation unit, vacuum distillation units, hydrocracker unit, delayed coker unit, kerosene treatment unit, diesel hydrodesulphurization unit, LPG treatment unit, hydrogen production unit, saturated gas unit, sour water stripper unit, amine regeneration unit and sulphur recovery unit.

4. CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT January - September	9M 2017 € million	9M 2016 € million	Var. %	Year 2016 € million
Net Revenues	**3,882.6**	**3,437.9**	**12.9%**	**4,792.6**
Other Revenues	1.2	5.9		4.2
Total Income	**3,883.8**	**3,443.8**	**12.8%**	**4,796.8**
Raw materials and consumables	-3,001.7	-2,356.6		-3,407.0
Personnel Costs	-439.2	-437.3		-576.3
Other operating costs	-338.1	-495.9		-602.5
EBITDA	**104.7**	**154.1**	**-32.0%**	**211.0**
Amortisation	-16.9	-15.2		-19.1
EBIT	**87.9**	**138.9**	**-36.8%**	**191.9**
Financial Income/ expense	-7.2	1.1		4.0
Share in results obtained by associates	-2.3	-2.2		-2.5
Profit before tax	**78.4**	**137.8**	**-43.1%**	**193.4**
Income taxes	-22.7	-36.5		-53.2
Net Profit from Continuing Operations	**55.7**	**101.3**	**-45.1%**	**140.2**
Net Loss from Discontinued Operations	**-0.3**	**0.0**		**-11.0**
Net Profit after Discontinued Operations	**55.4**	**101.3**	**-45.3%**	**129.2**

4.1 REVENUES

REVENUES BREAKDOWN January - September	9M 2017 € million	%	9M 2016 € million	%	Var. %	Year 2016 € million
Oil and gas	3,295.6	84.9%	3,043.7	88.5%	8.3%	4,266.2
Power	505.9	13.0%	290.7	8.5%	74.0%	395.9
Infrastructure and industries	81.1	2.1%	103.5	3.0%	-21.7%	130.5
Net Revenues	3,882.6	100%	3,437.9	100%	12.9%	4,792.6

In 9M 2017, net revenues rose by 12.9% to € 3,882.6 million, as major projects in the backlog are in the procurement and construction stage.

Sales from the oil and gas division went up 8.3% and reached € 3,295.6 million in 9M 2017. Oil and Gas revenues represented the vast majority of total sales (85%), supported by the Refining and Petrochemical business, as the largest contributor.

- Refining and Petrochemical: The projects with the highest contribution to sales were the following: Al Zour for KNPC (Kuwait), Talara for Petroperu (Peru), Ras Tanura for Saudi Aramco (Saudi Arabia) and RAPID for Petronas (Malaysia).
- Upstream and Natural Gas: The main contributors to sales were: the Fadhili project for Saudi Aramco (Saudi Arabia), the Jazan IGCC for Saudi Aramco (Saudi Arabia), the GT5 project for KNPC (Kuwait), and the Hail field project for Adoc (UAE).

Revenues from the power division grew by 74% to € 505.9 million in 9M 2017. The Tierra Mojada CCGT for Fisterra (Mexico), the Turow coal plant for Polska Grupa Energetyczna (Poland) and the Kilpilahti electricity generation project for Neste / Veolia / Borealis (Finland) were the largest contributors to sales.

4.2 OPERATING AND NET PROFIT

OPERATING AND NET PROFIT January - September	9M 2017 € million	9M 2016 € million	Var. %	Year 2016 € million
EBITDA	104.7	154.1	-32.0%	211.0
Margin	2.7%	4.5%		4.4%
EBIT	87.9	138.9	-36.8%	191.9
Margin	2.3%	4.0%		4.0%
Net Profit*	55.7	101.3	-45.1%	140.2
Margin	1.4%	2.9%		2.9%

* Net Profit from Continuing Operations

EBIT BREAKDOWN January - September	9M 2017 € million	9M 2016 € million	Var. %	Year 2016 € million
Operating Profit from divisions	156.0	207.4	-24.8%	283.5
Costs not assigned to divisions	-68.1	-68.5	-0.5%	-91.5
Operating profit (EBIT)	**87.9**	**138.9**	**-36.8%**	**191.9**

Financial Income/Expense January - September	9M 2017 € million	9M 2016 € million	Year 2016 € million
Net financial Income *	-0.4	-0.7	1.2
Gains/losses in transactions in foreign currency	-6.7	1.9	2.8
Financial Income/Expense	**-7.2**	**1.1**	**4.0**

* Financial income less financial expenditure

9M 2017 EBIT reached € 87.9 million and Operating Margin was 2.3%, impacted by non-recurrent factors:

- An increase of unit costs because of reduced activity, due to the delay in the launch of major projects.
- The extra costs incurred in some specific projects at the last stage of construction, mechanical completion or commissioning, together with a greater degree of uncertainty about the capacity to recover these costs under the current crisis situation.

Net profit was € 55.7 million, 45.1% lower compared to 9M 2016, impacted by:

- A decrease in financial income, from € 1.1 million in 9M 2016 to an expense of € 7.2 million in the 9M 2017. This reduction was mainly due to a € 7 million of loss in transactions in foreign currency, as the dollar suffered a depreciation against the euro of 11% since the beginning of 2017.
- In 9M 2017, the company income tax was € 22.7 million, which represents an effective tax rate of 29.0%.

5. CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET September 30	9M 2017 € million	9M 2016 € million	Year 2016 € million
ASSETS:			
Non-current Assets			
Tangible and intangible assets	52.5	123.4	69.7
Investment in associates	13.0	7.2	13.1
Deferred tax assets	211.5	179.8	225.8
Other non-current assets	25.4	25.1	24.6
	302.5	**335.5**	**333.1**
Current assets			
Inventories	16.7	19.3	17.0
Trade and other receivables	2,708.8	2,069.8	2,406.3
Other current assets	127.1	48.5	90.5
Cash and Financial assets	635.2	626.2	752.4
	3,487.9	**2,763.7**	**3,266.2**
TOTAL ASSETS	**3,790.4**	**3,099.2**	**3,599.3**
EQUITY AND LIABILITIES:			
Equity	**491.0**	**487.1**	**441.8**
Non-current liabilities	**58.5**	**81.2**	**183.7**
Financial Debt	16.9	65.9	155.2
Other non-current liabilities	41.6	15.3	28.5
Long term provisions	**64.6**	**35.2**	**35.0**
Current liabilities			
Financial Debt	400.6	71.8	109.4
Trade payable	2,693.1	2,268.8	2,570.5
Other current liabilities	82.6	155.0	258.9
	3,176.3	**2,495.6**	**2,938.8**
Total liabilities	**3,299.3**	**2,612.1**	**3,157.5**
TOTAL EQUITY AND LIABILITIES	**3,790.4**	**3,099.2**	**3,599.3**

EQUITY September 30	9M 2017 € million	9M 2016 € million	Year 2016 € million
Shareholders' funds + retained earnings	540.3	598.2	619.6
Treasury stock	-74.5	-74.1	-72.6
Hedging reserve	10.5	-40.8	-73.4
Interim dividends	0.0	0.0	-35.9
Minority Interest	14.8	3.8	4.1
EQUITY	**491.0**	**487.1**	**441.8**

NET CASH POSITION September 30	9M 2017 € million	9M 2016 € million	Year 2016 € million
Current assets less cash and financial assets	2,852.6	2,137.5	2,513.8
Current liabilities less financial debt	-2,775.7	-2,423.8	-2,829.4
COMMERCIAL WORKING CAPITAL	**76.9**	**-286.3**	**-315.6**
Financial assets	66.7	62.8	64.2
Cash and cash equivalents	568.5	563.4	688.3
Financial Debt	-417.4	-137.7	-264.6
NET CASH POSITION	**217.8**	**488.5**	**487.8**
NET CASH + COMMERCIAL WORKING CAPITAL	**294.7**	**202.2**	**172.2**

- At the end of September 2017, equity of the company was € 491 million, € 49 million higher than in December 2016. This increase was favoured by the improvement in hedging reserves.

- The interim dividend of € 0.667 per share (€ 35.8 million) out of 2016 results, was paid on 19th of January 2017. The complementary dividend of € 0.7289 per share (€ 39.2 million) out of 2016 results, was paid on 10th July 2017. Consequently, total dividends paid in 2017 had € 75 million, equal to the dividends paid in 2016.

- The company closed the nine months results of 2017 with a € 217.8 million net cash balance. The cash position was affected by a greater exposure to Middle East contracts, customers' cash constraints and lower awards and therefore downpayments.

ANNEX
FILINGS WITH CNMV, RELEVANT EVENTS AND OTHER COMMUNICATIONS

In the third quarter of 2017, the company filed with the Spanish "Comisión Nacional del Mercado de Valores" (CNMV) the following communications:

- **5th of August 2017**

  Técnicas Reunidas was selected by DRPIC to execute the project of the process units' project for the new refinery of Duqm in Oman.

  This project is part of the Omani government plan for the industrial development of the Special Economic Zone of Duqm, which includes the new grassroots refinery, with an overall investment of 15,000 million dollars in the coming 15 year and already includes a dry dockyard, harbour and related infrastructure such as roads and utilities. The refinery is the key project of the area.

  The contract was awarded on a LSTK basis to the international Joint Venture lead by Técnicas Reunidas (Spain) and Daewoo Engineering and Construction (South Korea) for an approximate value of 2,750 million dollar and duration of 47 months. This is the largest of the three packages for the refinery and includes all the process units.

  The scope of the contract of TR includes the engineering, supply, construction and commissioning of the following refining units: crude distillation unit (230,000 BPSD), vacuum distillation units (114,000 BPSD), hydrocracker unit (74.000 BPSD), delayed coker unit (52.000 BPSD), kerosene treatment unit (40.500 BPSD), diesel hydrodesulphurization unit (83.500 BPSD), LPG treatment unit (2 x 12.500 BPSD), hydrogen production unit (2 x 126.500 Nm3/d), saturated gas unit (6.500 mT/d), sour water stripper unit (2 x 44 mT/d), amine regeneration unit (2 x 415 mT/d) and sulphur recovery unit (3x355 mT/d).

  The project will be developed at Técnicas Reunidas offices in Madrid, being TR the majority partner of the Joint Venture with a participation of 65%.

  This project will enlarge the experience and activity of TR in the Middle East, following the recent awards of another important oil and gas projects in the region.

  Duqm Refinery and Petrochemical Industries Company (DRPIC) is a Joint Venture between the state-owned Oman Oil Company (OOC) and Kuwait Petroleum International (KPI), the international subsidiary of Kuwait Petroleum Corporation (KPC).

Also, after the end of the third quarter the company filed the following communication:

- **16th of October 2017**

  Regarding the liquidity agreement signed with Santander Investment Bolsa, Sociedad de Valores, SAU, the company reported information of the operations made during the first quarter:

SUMMARY			
	Shares	Net Value (€)	Average price
Opening account	74,500	2,537,098	
Purchases	1,751,903	-50,859,424	29.03
Sales	-1,723,486	49,934,125	28.97
Final account	102,917	1,611,800	

Disclaimer

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