TECNICAS REUNIDAS

# FULL YEAR RESULTS
# January – December 2013

**CONTENTS:**



**2013 Annual accounts audited by Price Waterhouse Coopers**

## 1. HIGHLIGHTS

| HIGHLIGHTS *January - December* | Year 2013 € million | Year 2012 € million | Var. % |
|---|---|---|---|
| **Backlog** | 6,377 | 6,205 | *2.8%* |
| **Net Revenues** | 2,846 | 2,652 | *7.3%* |
| **EBITDA** | 157 | 157 | *0.2%* |
| *Margin* | *5.5%* | *5.9%* | |
| **EBIT** | 148 | 149 | *-0.4%* |
| *Margin* | *5.2%* | *5.6%* | |
| **Net Profit** | 128 | 136 | *-5.8%* |
| *Margin* | *4.5%* | *5.1%* | |
| **Net cash position** | 629 | 646 | *-2.8%* |

**RECORD YEAR END BACKLOG**

- **Tecnicas Reunidas' year end backlog reached a new record high of € 6,377 million. Full year 2013 awards amounted to € 3,309 million which includes the following main projects: Volgograd in Russia, Perla in Venezuela, Optara in Belgium, Socar in Turkey, two refining units in Bolivia and Touat in Algeria.**
- **Revenues went up by 7% to € 2,846 million, the largest ever revenues of Tecnicas Reunidas.**
- **EBITDA and EBIT stood at € 157 million and € 148 million respectively, nearly the same levels as the year before. EBIT margin was 5.2%, steady as in 1H 13 and 9M 13 results.**
- **Net profit for the year was € 128 million, a 6% decrease compared to 2012 due primarily to a lower net financial result.**
- **At the end of December 2013, net cash position closed at € 629 million. Dividends paid in 2013 were € 75 million. Board of Directors has proposed to distribute € 75 million in 2014 as dividends out of 2013 results.**

## 2. BACKLOG

| | Project | Country | Client | Estimated Delivery |
|---|---|---|---|---|
| Refining and Petrochemical | Star refinery | Turkey | SOCAR | 2017 |
| | Jazan | Saudi Arabia | Saudi Aramco | 2017 |
| | Talara Refinery* | Peru | Petroperu | 2017 |
| | Antwerp refinery | Belgium | Total | 2016 |
| | Refining units Cochabamba and Santa Cruz | Bolivia | YPFB Refinación S.A. | 2016 |
| | Volgograd Refinery | Russia | Lukoil | 2015 |
| | Sadara | Saudi Arabia | Saudi Aramco/Dow Chemical | 2015 |
| | Kemya | Saudi Arabia | Sabic/Exxon Mobil | 2015 |
| | TAN project | Australia | Yara Int./Orica Lim./Apache Corp. | 2015 |
| | Petrokemya | Saudi Arabia | SABIC | 2014 |
| | Paracas chemical complex* | Peru | Nitratos del Peru | 2014 |
| | Yanbu Refinery | Saudi Arabia | Saudi Aramco | 2014 |
| | Izmit Refinery | Turkey | Tüpras | 2014 |
| | Normandy Refinery | France | Total | 2014 |
| | Khabarovsk | Russia | OC Alliance | 2014 |
| | Al Jubail Refinery** | Saudi Arabia | SATORP | - |
| Upstream & Gas | Oil sands | Canada | Canadian Natural Resources | 2016 |
| | Perla Offshore | Venezuela | Repsol/Eni | 2016 |
| | Touat gas field | Algeria | GDF Suez / Sonatrach | 2016 |
| | Margarita field II | Bolivia | Repsol/British Gas/Pan American Energy | 2015 |
| | Gran Chaco | Bolivia | YPFB | 2014 |
| | Shah | United Arab Emirates | ADNOC | 2014 |
| | Mejillones LNG tank | Chile | Codelco/GDF Suez | 2014 |
| | Zhuhai LNG terminal** | China | Guangdong Zhuhai Golden Bay LNG | - |
| | SAS** | United Arab Emirates | ADCO | - |
| Power | Manifa** | Saudi Arabia | Saudi Aramco | - |
| I & I | Southern Sea Water Desalination Plant stage 2 | Australia | Water Corporation | 2014 |

* Project in execution on an open book basis

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

### Backlog as of December, 31st 2013

Tecnicas Reunidas' (TR) backlog reached € 6,377 million, a 3% growth compared to the backlog of December 2012, and represents a new record high for the company at year end.

As of December, 31st, 2013, 19% of the backlog corresponded to projects on an Open Book (OBE) phase and are pending to be converted.

In 2013 the company booked new projects for a total amount of € 3,309 million which includes main awards such as the Volgograd refinery for Lukoil in Russia, the Perla offshore project for Repsol and Eni in Venezuela, the Optara project for Total in Belgium, the Star refinery for Socar in Turkey, two refining units for YPFB in Bolivia and the Touat project for GDF Suez and Sonatrach in Algeria.

In addition, in the fourth quarter of 2013, OAO LUKOIL, through its subsidiary OOO LUKOIL – Nizhegorodnefteorgsintez LLC, awarded TR a contract for the Front End Engineering and Design (FEED) of the new heavy oil residue hydrocracking complex to be built at the Nizhny Novgorod Refinery located in Kstovo, Russia.

This contract is the second project awarded by LUKOIL to TR which shows the trust in the company's capabilities and competitiveness. Russia is a priority market for TR and this award reinforces TR's commitment with LUKOIL, as well as its presence and cooperation with Russian Design Institutes.

Additionally, during 2013 the company was awarded other projects smaller in size but highly valuable, as they involve technology development and R&D, or basic engineering development, or FEEDs (Front End Engineer and Design) projects for complex units:

- Petrorabigh Refining & Petrochemical Company awarded TR a FEED for a polyols plant in Rabigh, Saudi Arabia. The project will consist of a high purity ethylene oxide (HPEO) (40 KTA), polyol plant (220 KTA, 2X 110 KTA), offsite and tie-in requirements with existing process and utilities. The project will be built within the existing Petrorabigh facilities in a green field adjacent to Mono Ethylene Glycol (MEG) and Propylene Oxide (PO) plants, whose products will supply feedstock for the future HPEO and polyol plants.
- FortHills Corp. awarded TR a consultancy services contract to advise on engineering and estimation of a mining project in Canada made by third parties.
- Repsol awarded TR a services contract for detailed engineering, procurement and construction supervision of an isomax unit in Tarragona refinery, Spain. The project involves substitution of reactors and a capacity increase.
- Repsol also awarded TR a project for the revamping of an olefins plant in Puertollano refinery, Spain. The contract includes detailed engineering, procurement and construction supervision.
- Majis Industrail Services S.A.O.C awarded TR a project for a sea water pumping station in Sohar, Oman. The project involves design, engineering, procurement, construction and start up of the plant. The capacity of the water treatment plant is 320,000 m3/h.

After the 4Q 2013, the company was awarded the following projects to be included in 2014 backlog:

- North West Redwater Partnership awarded TR a CAD 580 million contract for the execution of a light ends recovery unit and a sulphur plant for the first phase of the North West Redwater Sturgeon refinery in Alberta, Canada. The North West Redwater Partnership is a joint venture between Canadian Natural Resources Limited and North West Upgrading Inc., where each company owns a 50% stake in the partnership.

  The scope of the project includes: engineering, procurement, construction and pre-commissioning up to mechanical completion of the light ends recovery unit and the sulphur plant of the first phase of the bitumen refinery.

  The process capacity of the refinery is approximately 78,000 barrels per day (bpd) of synbit / dilbit bitumen blend into high value products such as stabilized sweet naphtha, ultra-low sulphur diesel (ULSD), low sulphur vacuum gas oil (VGO), liquid petroleum gas (LPG), hydrogen ($H_2$) and high purity carbon dioxide ($CO_2$).

- Ashuganj Power Station Company Ltd (APSCL) choose TR to lead a consortium together with TSK, as main contractor for the engineering, procurement of equipment and materials, construction and start-up of a new power plant in Ashuganj, Bangladesh. The contract was awarded as a turn-key project for an approximate value of USD 300 million.

  The purpose of the project is the construction of a new natural gas combined cycle plant for the production of electricity, which shall be exported via the local distribution network.

  The combined cycle includes a gas turbine, a recovery boiler and a steam turbine in addition to all the auxiliary systems. The generation capacity of the plant will be 380 MW.

# 3. CONSOLIDATED INCOME STATEMENT

| CONSOLIDATED INCOME STATEMENT January - December | Year 2013 € million | Year 2012 € million | Var. % |
|---|---|---|---|
| **Net Revenues** | **2,846.1** | **2,652.4** | **7.3%** |
| Other Revenues | 7.7 | 4.2 | |
| **Total Income** | **2,853.8** | **2,656.5** | **7.4%** |
| Raw materials and consumables | -1,945.6 | -1,768.2 | |
| Personnel Costs | -439.1 | -381.5 | |
| Other operating costs | -311.8 | -349.8 | |
| **EBITDA** | **157.3** | **157.0** | **0.2%** |
| Amortisation | -9.2 | -8.3 | |
| **EBIT** | **148.0** | **148.7** | **-0.4%** |
| Financial Income/ expense | 5.3 | 8.3 | |
| Share in results obtained by associates | -2.8 | 0.8 | |
| **Profit before tax** | **150.5** | **157.8** | **-4.7%** |
| Income taxes | -22.0 | -21.5 | |
| **Net Profit** | **128.5** | **136.3** | **-5.8%** |

## 3.1 REVENUES

| REVENUES BREAKDOWN January - December | Year 2013 € million | % | Year 2012 € million | % | Var. % |
|---|---|---|---|---|---|
| **Oil and gas** | 2,613.8 | 91.8% | 2,298.3 | 86.7% | 13.7% |
| **Power** | 79.1 | 2.8% | 132.1 | 5.0% | -40.1% |
| **Infrastructure and industries** | 153.2 | 5.4% | 222.0 | 8.4% | -31.0% |
| **Net Revenues** | **2,846.1** | **100%** | **2,652.4** | **100%** | **7.3%** |

In 2013, net revenues went up by 7.3% to € 2,846.1 million, the largest ever revenues of Tecnicas Reunidas.

Oil and Gas: sales of the division rose 14% in 2013 and represented 92% of total sales. The Refining and Petrochemical division was the largest contributor to sales.

- Refining and petrochemical: The projects with the highest contribution to sales were: Izmit for Tüpras (Turkey), TAN for Yara/Orica/Apache (Australia), three projects in Sadara for Dow Chemical / Saudi Aramco (Saudi Arabia), Kemya for Sabic / Exxon Mobil (Saudi Arabia), Petrokemya for Sabic (Saudi Arabia), Yanbu for Saudi Aramco (Saudi Arabia) and Volgograd for Lukoil (Russia).

- Upstream and natural gas: The largest contributors to sales were: the oil sands project for CNR (Canada), the Gran Chaco project for YPFB (Bolivia) and the Shah project for ADCO (Abu Dhabi).

Power: In 2013, power revenues dipped by 40%, from € 132.1 million in 2012, to € 79.1 million in 2013, because of the delay of expected awards.

Infrastructure and industries: 2013 revenues stood at € 153.2 million, 31% down compared to 2012. The main project for sales contribution was the desalination project in Australia for Water Corporation.

## 3.2 OPERATING PROFIT

| OPERATING MARGINS<br>January - December | Year 2013<br>€ million | Year 2012<br>€ million | Var.<br>% |
|---|---|---|---|
| **EBITDA** | 157.3 | 157.0 | 0.2% |
| ***Margin*** | *5.5%* | *5.9%* | |
| **EBIT** | 148.0 | 148.7 | -0.4% |
| ***Margin*** | *5.2%* | *5.6%* | |

| EBIT BREAKDOWN<br>January - December | Year 2013<br>€ million | Year 2012<br>€ million | Var.<br>% |
|---|---|---|---|
| **Operating Profit from divisions** | 215.3 | 211.9 | 1.6% |
| **Costs not assigned to divisions** | -67.2 | -63.2 | 6.3% |
| **Operating profit (EBIT)** | **148.0** | **148.7** | **-0.4%** |

- In 2013, EBITDA and EBIT amounted to € 157 million and € 148 million respectively, nearly the same levels than the year before.
- EBIT margin was 5.2% and remained similar to 1H 2013 and 9M 2013. As the company explained in 1H 2013 results, this margin decrease is mainly due to lower than commonly expected synergies in the projects awarded in the Jubail region, Saudi Arabia.

## 3.3 NET PROFIT

| NET PROFIT<br>January - December | Year 2013<br>€ million | Year 2012<br>€ million | Var.<br>% |
|---|---|---|---|
| **Net Profit** | **128.5** | **136.3** | **-5.8%** |
| ***Margin*** | **4.5%** | **5.1%** | |

| Financial Income/Expense<br>January - December | Year 2013<br>€ million | Year 2012<br>€ million |
|---|---|---|
| Net financial Income * | 7.1 | 8.4 |
| Gains/losses in transactions in foreign currency | -1.8 | -0.1 |
| **Financial Income/Expense** | **5.3** | **8.3** |

* Financial income less financial expenditure

In 2013, net profit was € 128 million, 6% lower than the net profit of 2012 as a consequence of:

- Smaller net financial result: net financial result dropped from € 8.3 million in 2012, to € 5.3 million in 2013, impacted in the last quarter by the weakness of USD and currencies from emerging markets.

- Higher tax rate: in 2013, the company paid a tax expense of € 22.0 million, compared to a € 21.5 million expense in 2012.

## 4. CONSOLIDATED BALANCE SHEET

| CONSOLIDATED BALANCE SHEET December 31, 2013 | Year 2013 € million | Year 2012 € million |
|---|---|---|
| **ASSETS:** | | |
| **Non-current Assets** | | |
| Tangible and intangible assets | 112.8 | 105.0 |
| Investment in associates | 12.4 | 8.0 |
| Deferred tax assets | 37.9 | 28.4 |
| Other non-current assets | 11.1 | 20.7 |
| | **174.1** | **162.2** |
| **Current assets** | | |
| Inventories | 24.3 | 25.7 |
| Trade and other receivables | 1,461.1 | 1,731.2 |
| Other current assets | 44.8 | 46.9 |
| Cash and Financial assets | 658.7 | 680.2 |
| | **2,188.8** | **2,484.0** |
| **TOTAL ASSETS** | **2,362.9** | **2,646.2** |
| **EQUITY AND LIABILITIES:** | | |
| **Equity** | **438.5** | **443.7** |
| **Non-current liabilities** | **54.6** | **44.7** |
| Financial Debt | 25.9 | 30.7 |
| Other non-current liabilities | 28.7 | 14.0 |
| **Long term provisions** | **29.6** | **26.1** |
| **Current liabilities** | | |
| Financial Debt | 4.1 | 3.1 |
| Trade payable | 1,729.8 | 2,039.8 |
| Other current liabilities | 106.3 | 88.9 |
| | **1,840.2** | **2,131.8** |
| **Total liabilities** | **1,924.4** | **2,202.5** |
| **TOTAL EQUITY AND LIABILITIES** | **2,362.9** | **2,646.2** |

| EQUITY December 31, 2013 | Year 2013 € million | Year 2012 € million |
|---|---|---|
| Shareholders' funds + retained earnings | 548.1 | 527.3 |
| Treasury stock | -73.4 | -73.4 |
| Hedging reserve | -4.4 | 14.0 |
| Interim dividends | -35.8 | -35.8 |
| Minority Interest | 4.0 | 11.6 |
| **EQUITY** | **438.5** | **443.7** |

| NET CASH POSITION<br>December 31, 2013 | Year 2013<br>€ million | Year 2012<br>€ million |
|---|---|---|
| Current assets less cash and financial assets | 1,530.2 | 1,803.7 |
| Current liabilities less financial debt | -1,836.1 | -2,128.6 |
| **COMMERCIAL WORKING CAPITAL** | **-306.0** | **-324.9** |
| Financial assets | 67.9 | 63.4 |
| Cash and cash equivalents | 590.8 | 616.8 |
| Financial Debt | -30.0 | -33.8 |
| **NET CASH POSITION** | **628.6** | **646.4** |
| **NET CASH + COMMERCIAL WORKING CAPITAL** | **322.7** | **321.5** |

- In 2013 equity of the company reduced by € 5.2 million owing to the distribution of the dividends plus the negative evolution of the hedging reserve and the reduction of the value of some group affiliates, due to the depreciation of the currencies in which their equities are nominated.

- As of December 31st, 2013, the net cash position was € 629 million, lower than December 2012's cash. No major downpayments were booked in the last three quarters.

- In December 2012, the Board of Directors approved an interim dividend of € 0.667 per share, out of 2012 results which was paid on the 17th of January 2013. In February, the company announced a complementary dividend of € 0.7285 per share, out of 2012 results, which was paid on July, 11th 2013. Consequently, total dividends paid in 2013 out of 2012 results, were € 75 million (€ 1.3955 per share), that represents a 3% increase compared to the dividends paid in 2012.

- The Board of Directors has proposed to distribute € 75 millions in 2014 as dividends out of 2013 results, which will be approved at the General Shareholder Meeting.

  In December 2013, the Board of Directors already approved an interim dividend of € 0.667 per share, out of 2013 results which was paid on 16th of January 2014.

## ANNEX: FILINGS WITH CNMV RELEVANT EVENTS AND OTHER COMMUNICATIONS

In the fourth quarter of 2013, the company filed with the Spanish CNMV the following communication:

- The company reported to the CNMV that the Board of Directors approved on 16th of December 2013 the distribution of € 0.667 per share, € 35.8 million in total, as an advanced payment of the dividend out of 2013 results, to be approved in the next Shareholders General Meeting. The interim dividend was paid on 16th of January of 2014.

Also, since the end of the fourth quarter, the company filed in February with the Spanish CNMV the following communications:

- Tecnicas Reunidas was awarded a CAD 580 million contract by North West Redwater Partnership for the execution of the units 50 (light ends recovery) and 60 (sulphur plant) for the first phase of the North West Redwater Sturgeon refinery in Alberta, Canada. The North West Redwater Partnership is a joint venture between North West Upgrading Inc. and Canadian Natural Resources Limited, where each company owns a 50% stake in the partnership.

  The scope of the project includes engineering, procurement, construction and pre-commissioning up to mechanical completion of the light ends recovery unit and the sulphur plant of the first phase of the bitumen refinery which will have the capacity to process approximately 78,000 barrels per day (bpd) of synbit / dilbit bitumen blend into high value products (stabilized sweet naphtha, ultra-low sulphur diesel (ULSD) low sulphur vacuum gas oil (VGO), liquid petroleum gas (LPG), hydrogen ($H_2$) and high purity carbon dioxide ($CO_2$)). The client will use commercially proven, conventional processes to refine the bitumen incorporating gasification and a carbon capture and storage solution, setting an international precedent for responsible development.

  The project is located in Sturgeon County, approximately 45 km northeast of Edmonton in the Alberta Industrial Heartland area. The Heartland area offers proximity to existing and planned bitumen and heavy oil feedstock pipelines from three major oil sand producing regions (Athabasca, Cold Lake and Peace River). It is also in proximity to distribution infrastructure for finished products, allowing access to Alberta, North America and world markets.

  TR is now executing another turnkey project in Canada for engineering, procurement and construction of bitumen upgrading facilities, north of Fort McMurray, Alberta.

The project for North West Redwater Partnership, as a result of TR´s successful worldwide expansion, will considerably strengthen the company´s position in Canada.

- Ashuganj Power Station Company Ltd (APSCL) choose TR to lead a consortium together with TSK, as main contractor for the engineering, procurement of equipment and materials, construction and start-up of a new power plant in Ashuganj, Bangladesh. The contract was awarded as a turn-key project for an approximate value of USD 300 million.

  The purpose of the project is the construction of a new natural gas combined cycle plant for the production of electricity, which shall be exported via the local distribution network. The combined cycle includes a gas turbine, a recovery boiler and a steam turbine in addition to all the auxiliary systems. The plant will generate 380 MW.

  The project is financed by the Asian Development Bank.

  APSCL has nearly 1,000 MW already installed to which the power from the Asjuganj North plant shall be added in approximately 30 months. The tender for the award of this project was initiated by the state-owned company, ASPCL, in mid-2012 and more than 15 other companies or consortiums participated.

  Ashuganj Power Station Company Ltd. is 99% state-owned by the Bangladesh Power Development Board, belonging to the Bangladesh Ministry for Generation, Energy and Mineral Resources. The company started their operations on 1st June 2003 and is today responsible for the generation of electrical energy in the Ashuganj region, 100 km northeast of the capital, Daca.