



**TECNICAS REUNIDAS**

## **FIRST QUARTER RESULTS**

January – March 2018

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## 1. MAIN HIGHLIGHTS AND GUIDANCE

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- Backlog of € 9.7 billion
- Order intake of € 1.2 billion
- Sales at € 1.2 billion
- Operating profit at € 4.9 million, with a 0.4 % EBIT margin
- Net cash position of € 219 million
- Dividend of € 50 million for 2018

Backlog at the end of March stood at € 9.7 billion. The main award added to the backlog in the 1Q 2018 was the Bahrein refinery project for BAPCO, worth USD 1.3 billion. Also, the company was recently 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 € 1.16 billion in 1Q 2018, with a 16% decrease compared to 1Q 2017, as the major projects in execution were in the engineering and construction stage.

The company's EBIT was € 4.9 million, with an operating margin of 0.4%, similar to profitability of the last two quarters and 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, given the current crisis situation.

The balance sheet closed with a net cash position of € 219 million, similar to the December 2017 level. On the one hand, net cash was positively affected by two Middle East downpayments. On the other hand, 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 peaked at 74% by the end of March.

In January, TR paid € 35.8 million as dividend. The Board of Directors will propose to distribute an additional dividend of € 14.2 million to be paid in July. This payment will bring total remuneration to shareholders in 2018 to € 50 million. This decision balances shareholder remuneration commitment with a strong balance sheet, to support future company growth in this improved investment environment.

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:

*“If 2017 was a year of cancellations and delays, 2018 is a year of launching projects already signed. So, we have started 2018 with a very solid but nevertheless, slow progress.*

*We are launching the engineering of the Haradh project in Saudi Arabia, the Baku refining project in Azerbaijan, and the Bahrain project, which has just started a few weeks ago. The Duqm contract in Oman was signed in February, but has not started yet, as financing is being finalized. So, all these new projects are moving ahead slowly but surely. In addition, we have been recently awarded three high value-added FEEDs in three key regions for us. This early engagement in projects reflects a successful strategy and customer trust.*

*In summary, this year we are starting to see light at the end of a very long tunnel. We are working hard to deal with what might be the last stage of the oil crisis. I am happy to say that the future ahead looks much brighter, based on recovery of our industry, a large and more active pipeline and strong client recognition”.*

| HIGHLIGHTS<br>January - March | 1Q 2018<br>€ million | 1Q 2017<br>€ million | Var.<br>% | Year 2017<br>€ million |
|-------------------------------|----------------------|----------------------|-----------|------------------------|
| Backlog                       | 9,699                | 10,165               | -5%       | 9,870                  |
| Net Revenues                  | 1,161                | 1,388                | -16%      | 5,068                  |
| EBITDA                        | 9.1                  | 61                   | -85%      | 122                    |
| Margin                        | 0.8%                 | 4.4%                 |           | 2.4%                   |
| EBIT                          | 4.9                  | 56                   | -91%      | 100                    |
| Margin                        | 0.4%                 | 4.0%                 |           | 2.0%                   |
| Net Profit*                   | 0.5                  | 37                   | -99%      | 64                     |
| Margin                        | 0.0%                 | 2.7%                 |           | 1.3%                   |
| Net Cash Position             | 219                  | 413                  | -47%      | 231                    |

\* Net Profit from Continuing Operations

Técnicas Reunidas will hold a conference call today at 1:00 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 March, 31<sup>st</sup> 2018**

At the end of March 2018, Técnicas Reunidas' backlog amounted to € 9,699 million, close to the level reached at the end of December 2017, € 9,870 million.

Oil and Gas projects stood for 94% of the total backlog, whereas the Power division accounted for 6%.

The awards added to the backlog in the first quarter of the year were 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, Gazprom Neft. 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<br>January - March       | 1Q 2018<br>€ million | 1Q 2017<br>€ million | Var.<br>%     | Year 2017<br>€ million |
|--|----------------------|----------------------|---------------|------------------------|
| <b>Net Revenues</b>                                    | <b>1,161.1</b>       | <b>1,387.7</b>       | <b>-16.3%</b> | <b>5,067.9</b>         |
| Other Revenues   | 0.5                  | 0.5                  |               | 1.8                    |
| <b>Total Income</b>                                    | <b>1,161.5</b>       | <b>1,388.2</b>       | <b>-16.3%</b> | <b>5,069.8</b>         |
| Raw materials and consumables                          | -876.4               | -1,080.3             |               | -4,051.0               |
| Personnel Costs  | -156.1               | -155.6               |               | -581.5                 |
| Other operating costs                                  | -119.9               | -91.7                |               | -315.4                 |
| <b>EBITDA</b>  | <b>9.1</b>           | <b>60.7</b>          | <b>-85.0%</b> | <b>121.9</b>           |
| Amortisation   | -4.2                 | -5.1                 |               | -21.5                  |
| <b>EBIT</b>  | <b>4.9</b>           | <b>55.5</b>          | <b>-91.2%</b> | <b>100.4</b>           |
| Financial Income/ expense                              | -4.1                 | -2.8                 |               | -6.9                   |
| Share in results obtained by associates                | 0.0                  | -0.9                 |               | -2.3                   |
| <b>Profit before tax</b>                               | <b>0.8</b>           | <b>51.8</b>          | <b>-98.5%</b> | <b>91.2</b>            |
| Income taxes   | -0.2                 | -15.0                |               | -27.2                  |
| <b>Net Profit from Continuing Operations</b>           | <b>0.5</b>           | <b>36.8</b>          | <b>-98.5%</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>0.4</b>           | <b>36.6</b>          | <b>-98.9%</b> | <b>59.0</b>            |
| Minority Interest                                      | -0.2                 | -8.6                 |               | -19.4                  |
| <b>Net Profit Attributable to Company Sahreholders</b> | <b>0.3</b>           | <b>27.9</b>          | <b>-99.1%</b> | <b>39.5</b>            |

#### 3.1 REVENUES

| REVENUES BREAKDOWN<br>January - March | 1Q 2018<br>€ million | %           | 1Q 2017<br>€ million | %           | Var.<br>%     | Year 2017<br>€ million |
|---------------------------------------|----------------------|-------------|----------------------|-------------|---------------|------------------------|
| Oil and gas                           | 969.9                | 83.5%       | 1,174.7              | 84.6%       | -17.4%        | 4,281.5                |
| Power                                 | 170.4                | 14.7%       | 182.9                | 13.2%       | -6.8%         | 684.3                  |
| Infrastructure and industries         | 20.7                 | 1.8%        | 30.1                 | 2.2%        | -31.1%        | 102.1                  |
| <b>Net Revenues</b>                   | <b>1,161.1</b>       | <b>100%</b> | <b>1,387.7</b>       | <b>100%</b> | <b>-16.3%</b> | <b>5,067.9</b>         |

In 1Q 2018, net revenues decreased by 16.3% to € 1,161.1 million, as major projects in the backlog were in the engineering and construction stage.

Sales from the Oil and Gas division went down 17.4% and reached € 969.9 million in 1Q 2018. Oil and Gas revenues represented the vast majority of total sales (84%):

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

Revenues from the power division decreased 6.8% to € 170.4 million in 1Q 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<br>January - March | 1Q 2018<br>€ million | 1Q 2017<br>€ million | Var.<br>% | Year 2017<br>€ million |
|---|----------------------|----------------------|-----------|------------------------|
| EBITDA                                      | 9.1                  | 60.7                 | -85.0%    | 121.9                  |
| Margin                                      | 0.8%                 | 4.4%                 |           | 2.4%                   |
| EBIT  | 4.9                  | 55.5                 | -91.2%    | 100.4                  |
| Margin                                      | 0.4%                 | 4.0%                 |           | 2.0%                   |
| Net Profit*                                 | 0.5                  | 36.8                 | -98.5%    | 64.0                   |
| Margin                                      | 0.0%                 | 2.7%                 |           | 1.3%                   |

\* Net Profit from Continuing Operations

| EBIT BREAKDOWN<br>January - March | 1Q 2018<br>€ million | 1Q 2017<br>€ million | Var.<br>% | Year 2017<br>€ million |
|-----------------------------------|----------------------|----------------------|-----------|------------------------|
| Operating Profit from divisions   | 30.0                 | 77.5                 | -61.3%    | 201.3                  |
| Costs not assigned to divisions   | -25.1                | -22.0                | 14.2%     | -100.9                 |
| Operating profit (EBIT)           | 4.9                  | 55.5                 | -91.2%    | 100.4                  |

| Financial Income/Expense<br>January - March      | 1Q 2018<br>€ million | 1Q 2017<br>€ million | Year 2017<br>€ million |
|--|----------------------|----------------------|------------------------|
| Net financial Income *                           | -0.8                 | -1.6                 | -0.7                   |
| Gains/losses in transactions in foreign currency | -3.4                 | -1.2                 | -6.2                   |
| <b>Financial Income/Expense</b>                  | <b>-4.1</b>          | <b>-2.8</b>          | <b>-6.9</b>            |

\* Financial income less financial expenditure

1Q 2018 EBIT was € 4.9 million and Operating Margin was 0.4%, similar to the profitability of the last two quarters and 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, given the current crisis situation.

Net profit was € 0.5 million, impacted by a decrease in financial results, due to a higher loss in transactions in foreign currency, from the strong depreciation of the dollar against the euro.

#### 4. CONSOLIDATED BALANCE SHEET

| CONSOLIDATED BALANCE SHEET<br>March 31  | 1Q 2018<br>€ million | 1Q 2017<br>€ million | Year 2017<br>€ million |
|---|----------------------|----------------------|------------------------|
| <b>ASSETS:</b>                          |                      |                      |                        |
| <b>Non-current Assets</b>               |                      |                      |                        |
| Tangible and intangible assets          | 46.0                 | 70.1                 | 50.1                   |
| Investment in associates                | 12.9                 | 12.3                 | 13.4                   |
| Deferred tax assets                     | 267.4                | 220.5                | 254.6                  |
| Other non-current assets                | 14.4                 | 26.3                 | 19.8                   |
|   | <b>340.7</b>         | <b>329.1</b>         | <b>337.8</b>           |
| <b>Current assets</b>                   |                      |                      |                        |
| Inventories                             | 19.4                 | 16.2                 | 17.9                   |
| Trade and other receivables             | 2,633.5              | 2,611.6              | 2,786.1                |
| Other current assets                    | 109.5                | 84.3                 | 106.6                  |
| Cash and Financial assets               | 697.6                | 736.3                | 637.3                  |
|   | <b>3,460.0</b>       | <b>3,448.4</b>       | <b>3,548.0</b>         |
| <b>TOTAL ASSETS</b>                     | <b>3,800.7</b>       | <b>3,777.5</b>       | <b>3,885.8</b>         |
| <b>EQUITY AND LIABILITIES:</b>          |                      |                      |                        |
| <b>Equity</b>                           | <b>413.3</b>         | <b>459.6</b>         | <b>463.3</b>           |
| <b>Non-current liabilities</b>          |                      |                      |                        |
| Financial Debt                          | 279.4                | 153.7                | 92.2                   |
| Other non-current liabilities           | 42.9                 | 31.8                 | 44.5                   |
| <b>Long term provisions</b>             | <b>53.7</b>          | <b>46.8</b>          | <b>43.2</b>            |
| <b>Current liabilities</b>              |                      |                      |                        |
| Financial Debt                          | 199.2                | 170.0                | 313.8                  |
| Trade payable                           | 2,721.7              | 2,717.5              | 2,796.0                |
| Other current liabilities               | 90.6                 | 198.1                | 132.8                  |
|   | <b>3,011.4</b>       | <b>3,085.6</b>       | <b>3,242.5</b>         |
| <b>Total liabilities</b>                | <b>3,387.4</b>       | <b>3,317.9</b>       | <b>3,422.5</b>         |
| <b>TOTAL EQUITY AND LIABILITIES</b>     | <b>3,800.7</b>       | <b>3,777.5</b>       | <b>3,885.8</b>         |
| <b>EQUITY</b>                           |                      |                      |                        |
| <b>March 31</b>                         | <b>€ million</b>     | <b>€ million</b>     | <b>€ million</b>       |
| Shareholders' funds + retained earnings | 441.5                | 571.9                | 538.1                  |
| Treasury stock                          | -74.3                | -73.2                | -73.0                  |
| Hedging reserve                         | 31.0                 | -51.8                | 15.8                   |
| Interim dividends                       | 0.0                  | 0.0                  | -35.9                  |
| Minority Interest                       | 15.1                 | 12.7                 | 18.2                   |
| <b>EQUITY</b>                           | <b>413.3</b>         | <b>459.6</b>         | <b>463.3</b>           |



| <b>NET CASH POSITION</b><br>March 31          | <b>1Q 2018</b><br>€ million | <b>1Q 2017</b><br>€ million | <b>Year 2017</b><br>€ million |
|---|-----------------------------|-----------------------------|-------------------------------|
| Current assets less cash and financial assets | 2,762.5                     | 2,712.0                     | 2,910.7                       |
| Current liabilities less financial debt       | -2,812.3                    | -2,915.6                    | -2,928.8                      |
| <b>COMMERCIAL WORKING CAPITAL</b>             | <b>-49.8</b>                | <b>-203.6</b>               | <b>-18.1</b>                  |
| Financial assets                              | 68.2                        | 65.9                        | 67.4                          |
| Cash and cash equivalents                     | 629.3                       | 670.5                       | 569.9                         |
| Financial Debt                                | -478.6                      | -323.7                      | -406.0                        |
| <b>NET CASH POSITION</b>                      | <b>219.0</b>                | <b>412.7</b>                | <b>231.3</b>                  |
| <b>NET CASH + COMMERCIAL WORKING CAPITAL</b>  | <b>169.2</b>                | <b>209.1</b>                | <b>213.2</b>                  |

- At the end of March 2018, equity of the company was € 413.3 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 € 219 million, similar to the December 2017 level. On the one hand, net cash was positively affected by two Middle East downpayments. On the other hand, the company continued to increase its working capital needs for the projects in the Middle East, as the exposure to this region increases. Técnicas Reunidas' backlog exposure to the Middle East peaked at 74% by the end of March.
- In January, TR paid € 35.8 million as dividend. The Board of Directors will propose to distribute an additional dividend of € 14.2 million to be paid in July. This payment will bring total remuneration to shareholders in 2018 to € 50 million. This decision balances shareholder remuneration commitment with a strong balance sheet, to support future company growth in this improved investment environment.

**ANNEX**  
**FILINGS WITH CNMV, RELEVANT EVENTS AND OTHER COMMUNICATIONS**

In the first quarter of 2018, the company filed with the Spanish “Comisión Nacional del Mercado de Valores” (CNMV) the following communications:

- **22<sup>nd</sup> of January 2018**

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

| UPDATED SUMMARY 1Q             |            |               |               |
|--------------------------------|------------|---------------|---------------|
|                                | Shares     | Net Value (€) | Average price |
| Initial amount of the contract | 74,500     | 2,537,098     |               |
| Initial amount of the quarter  | 74,500     | 2,537,098     |               |
| Purchases                      | 1,751,903  | -50,963,555   | 29.09         |
| Sales                          | -1,723,486 | 50,038,877    | 29.03         |
| Final account                  | 102,917    | 1,612,420     |               |

| SUMMARY 2Q                     |            |               |               |
|--------------------------------|------------|---------------|---------------|
|                                | Shares     | Net Value (€) | Average price |
| Initial amount of the contract | 74,500     | 2,537,098     |               |
| Initial amount of the quarter  | 102,917    | 1,612,420     |               |
| Purchases                      | 1,904,223  | -48,942,875   | 25.70         |
| Sales                          | -1,956,975 | 50,365,635    | 25.74         |
| Final account                  | 50,165     | 3,035,180     |               |

- **19<sup>th</sup> of February 2018**

Técnicas Reunidas signed the contract for the execution of the Process units for the new refinery of Duqm in Oman. As the company already announced, TR received the letter of intent for the EPC contract award in August 2017.

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 USD 15,000 million in the coming 15 years 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 has been awarded on a LSTK basis to the international Joint Venture led by Técnicas Reunidas (Spain) and Daewoo Engineering and Construction (South Korea) for an approximate value of USD 2,750 million and 47 months of duration.

This is the largest of the three packages awarded for the Refinery and includes all the process units.

The project will be developed at TR's 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 first quarter the company filed the following communication:

- **16<sup>th</sup> of April 2018**

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

| SUMMARY 3Q                     |            |               |               |
|--------------------------------|------------|---------------|---------------|
|                                | Shares     | Net Value (€) | Average price |
| Initial amount of the contract | 74,500     | 2,537,098     |               |
| Initial amount of the quarter  | 50,165     | 3,030,991     |               |
| Purchases                      | 1,162,562  | -30,491,220   | 26.23         |
| Sales                          | -1,122,727 | 29,465,270    | 26.24         |
| Expenses                       |            | -26,244       |               |
| Final account                  | 90,000     | 1,978,798     |               |

## Disclaimer

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