



TECNICAS REUNIDAS

FIRST QUARTER RESULTS

January – March 2018

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1. MAIN HIGHLIGHTS AND GUIDANCE

- 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 January - March	1Q 2018 € million	1Q 2017 € million	Var. %	Year 2017 € 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, 31st 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 January - March	1Q 2018 € million	1Q 2017 € million	Var. %	Year 2017 € million
Net Revenues	1,161.1	1,387.7	-16.3%	5,067.9
Other Revenues	0.5	0.5		1.8
Total Income	1,161.5	1,388.2	-16.3%	5,069.8
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
EBITDA	9.1	60.7	-85.0%	121.9
Amortisation	-4.2	-5.1		-21.5
EBIT	4.9	55.5	-91.2%	100.4
Financial Income/ expense	-4.1	-2.8		-6.9
Share in results obtained by associates	0.0	-0.9		-2.3
Profit before tax	0.8	51.8	-98.5%	91.2
Income taxes	-0.2	-15.0		-27.2
Net Profit from Continuing Operations	0.5	36.8	-98.5%	64.0
Net Loss from Discontinued Operations	-0.1	-0.2		-5.0
Net Profit after Discontinued Operations	0.4	36.6	-98.9%	59.0
Minority Interest	-0.2	-8.6		-19.4
Net Profit Attributable to Company Sahreholders	0.3	27.9	-99.1%	39.5

3.1 REVENUES

REVENUES BREAKDOWN January - March	1Q 2018 € million	%	1Q 2017 € million	%	Var. %	Year 2017 € 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
Net Revenues	1,161.1	100%	1,387.7	100%	-16.3%	5,067.9

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

* 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 March 31	1Q 2018 € million	1Q 2017 € million	Year 2017 € million
ASSETS:			
Non-current Assets			
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
	340.7	329.1	337.8
Current assets			
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
	3,460.0	3,448.4	3,548.0
TOTAL ASSETS	3,800.7	3,777.5	3,885.8
EQUITY AND LIABILITIES:			
Equity	413.3	459.6	463.3
Non-current liabilities			
Financial Debt	279.4	153.7	92.2
Other non-current liabilities	42.9	31.8	44.5
Long term provisions	53.7	46.8	43.2
Current liabilities			
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
	3,011.4	3,085.6	3,242.5
Total liabilities	3,387.4	3,317.9	3,422.5
TOTAL EQUITY AND LIABILITIES	3,800.7	3,777.5	3,885.8
EQUITY			
March 31	1Q 2018 € million	1Q 2017 € million	Year 2017 € million
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
EQUITY	413.3	459.6	463.3

NET CASH POSITION March 31	1Q 2018 € million	1Q 2017 € million	Year 2017 € 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
COMMERCIAL WORKING CAPITAL	-49.8	-203.6	-18.1
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
NET CASH POSITION	219.0	412.7	231.3
NET CASH + COMMERCIAL WORKING CAPITAL	169.2	209.1	213.2

- 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:

- **22nd 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	

- **19th 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:

- **16th 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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