TECNICAS REUNIDAS

NINE MONTH RESULTS

January – September 2018

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1. MAIN HIGHLIGHTS AND GUIDANCE

- YTD Backlog[1] of € 9.9 billion
- YTD Order intake of € 2.9 billion
- Sales at € 3.3 billion
- Operating profit at € 31.2 million, with a 1.0 % EBIT margin
- Net cash position of € 189 million
- Dividend payments of € 50 million in 2018

Backlog at the end of September 2018 stood at € 8.7 billion. The main award added to the backlog in the third quarter 2018 was the UAE gas treatment plant for ADNOC LNG. In November, the company was awarded the Bu Hasa field project for ADNOC Onshore in Abu Dhabi, which will be included in the 4Q 2018 backlog. Adding this project, the backlog figure YTD would exceed €9.9 billion.

In line with company expectations, sales stood at € 3.3 billion in 9M 2018. Sales figures in the third quarter reflect that major projects are reaching mechanical completion and that 66% of the 9M 2018 backlog is at an early engineering stage. Both phases have a small contribution to sales. In the fourth quarter, some of the projects currently at the engineering stage will start moving to the procurement stage, with the subsequent impact in revenue growth.

The company's EBIT was € 31.2 million, with an operating margin of 1.0%. Operating margins are being impacted by non-recurrent factors, as mentioned in past results announcements:

- No oil and gas projects started in 2017 and project launch in 2018 took place later than expected.
- Continued difficulties in the recovery of extra costs incurred at the latest stages in some specific projects.

Net profit was impacted by the accounting of foreign currency translation effects, which represented an expense of € 19 million, mainly due to the strong depreciation of the Turkish lira to the dollar in the quarter.

The balance sheet closed with a net cash position of € 189 million, in the range of previous quarters. The recent awards by prime customers in the Middle East have implied a further increase (to a level of 77%) in the weight of the region in total backlog. In this region, as is well known in the industry, contracts are normally structured with higher working capital needs, in line with high solvency level of their NOCs.

[1] Backlog as of 30 of September plus the award amount up to November.

YEAR 2018 GUIDANCE

The company reported in November 2017 the following range in sales and EBIT margin 2018 guidance:

- Sales: € 4,300 - 4,600 million
- EBIT Margin: 1.5% - 2.5 %
- Commitment to shareholders' remuneration

The company now guides to the low range in both 2018 sales and margin, due to project phasing imbalance and delays in the start of new projects.

Dividend decisions will take place at the AGM, in line with market recovery.

Juan Lladó, Técnicas Reunidas Chief Executive Officer, commented:

"One year ago, we anticipated that the oil, gas and petrochemical industries would be investing significantly as a result of solid fundamentals related to the economic growth and increasing environmental requirements.

Our expectations are being confirmed as the year progresses. We are seeing a large pipeline of opportunities, which increases quarter by quarter. We are actively tendering in this pipeline, which could result in new awards in the near future. The two recent awards in Abu Dhabi are a good indicator that major projects are forthcoming. Only in Emirates, we are currently bidding for seven projects.

At the same time, we are at the completion stage of very large projects in our backlog, with an aggregate value of more than USD 7 billion. Projects as large and as important as the Rapid Refinery project, for Petronas; the Star Refinery for SOCAR; the Jizan project, for Saudi Aramco; the Touat Gaz natural gas plant, for Sonatrach and Neptune; and the gas treatment plant project, for ADNOC Gas Processing. All these jobs are in the pre-commissioning and in the commissioning stage. We are sure to deliver these projects to the highest client satisfaction.

At the same time, in 2018 we have launched projects that amount to more than USD 8 billion. At the beginning of the year we started a large upstream investment for Saudi Aramco and our refining job for Socar. As late as April and July, we started the refinery projects in Bahrain and Oman in which we were known to be preferred bidders since early 2017. Finally, in these past weeks, we are putting together the task forces for the newly awarded projects for ADNOC.

As a result of this dynamic activity, more than two thirds of our backlog is currently at engineering stage and will enter very soon the procurement phase, with its subsequent impact in sales.

I am very comfortable with this large and quality backlog, and proud of Técnicas Reunidas execution capacity and its ability to capitalize on the current market recovery."

The main figures for the quarter are the following ones:

HIGHLIGHTS *January - September*	9M 2018 € million	9M 2017 € million	Var. %	Year 2017 € million
Backlog	8,664	8,517	2%	9,870
Net Revenues	3,256	3,883	-16%	5,068
EBITDA (1)	43.5	105	-58%	122
Margin	1.3%	2.7%		2.4%
EBIT (1)	31.2	88	-65%	100
Margin	1.0%	2.3%		2.0%
Net Profit (2)	5.9	56	-89%	64
Margin	0.2%	1.4%		1.3%
Net Cash Position (1)	189	218	-13%	231

(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 4:00 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	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
	Touat gas field	Algeria	GDF Suez / Sonatrach
	GASCO*	United Arab Emirates	ADNOC / Total / Shell
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 SEPTEMBER, 30TH 2018

At the end of September 2018, Técnicas Reunidas' backlog amounted to € 8,664 million, 2% up compared to the year before. Adding the recent Bu Hasa ADNOC Onshore award, YTD backlog would escalate to € 9,916 million.

Oil and Gas projects stood for 96% of the total backlog, whereas the Power Division accounted for 4%.

The main award added to the backlog in the third quarter was the following:

- ADNOC LNG awarded Técnicas Reunidas a new contract for the design, supply and construction of a 245 MMSCFD gas treatment plant in Das Island, in the United Arab Emirates. ADNOC LNG is owned by ADNOC (70%), Mitsui & Co (15%), BP (10%) and Total (5%).

  The contract was awarded as Lump Sum Turnkey to the consortium formed by Técnicas Reunidas and Target Engineering and Construction, subsidiary of Arabtec Holding (UAE), for an approximate amount of 860 million US dollars and 54 months of duration, including an option to increase the scope for additional 150 million US dollars. Técnicas Reunidas is the leader of the consortium with a participation share of 50%.

  The scope of the contract includes engineering, equipment and material supply, construction, installation, testing and commissioning of compression, drying and gas treatment units, as well as power generation and other auxiliary services. The new facilities will be used to send low pressure gas coming from the offshore gas fields in the vicinity of Das Island to Habshan, located in the continental part of UAE.

This project is part of the Integrated Gas Development program for the increase of offshore gas production. Since 2015, Técnicas Reunidas is already participating in this program through the contract awarded by ADNOC Gas Processing for the construction of the gas treatment plant in Habshan.

In addition, the company has been recently awarded the Bu Hasa field project in Abu Dhabi, which will be included in the 4Q 2018 backlog:

- ADNOC ONSHORE has issued a Letter of Award (LOA) to Tecnicas Reunidas for the Engineering, Procurement and Construction of the Bu Hasa Integrated Field Development Project in the United Arab Emirates.

  The Contract will have an approximate value of USD 1,440 million and will have an execution period of 39 months.

  The scope of this oil upstream project will include engineering, equipment and material supply, construction, installation, pre-commissioning, commissioning, testing and start-up of new oil gathering system, new gas compression facilities, and new produced water injection network as well as the upgrade of the water treatment facilities in the existing plant.

3. CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT January - September	9M 2018 € million	9M 2017 € million	Var. %	Year 2017 € million
Net Revenues	**3,255.6**	**3,882.6**	**-16.1%**	**5,067.9**
Other Revenues	1.9	1.2		1.8
Total Income	**3,257.5**	**3,883.8**	**-16.1%**	**5,069.8**
Raw materials and consumables	-2,401.3	-3,001.7		-4,051.0
Personnel Costs	-441.6	-439.2		-581.5
Other operating costs	-371.1	-338.1		-315.4
EBITDA	**43.5**	**104.7**	**-58.5%**	**121.9**
Amortisation	-12.3	-16.9		-21.5
EBIT	**31.2**	**87.9**	**-64.5%**	**100.4**
Financial Income/ expense	-21.5	-7.2		-6.9
Share in results obtained by associates	-1.3	-2.3		-2.3
Profit before tax	**8.4**	**78.4**	**-89.3%**	**91.2**
Income taxes	-2.5	-22.7		-27.2
Profit for the year from continuining operations	**5.9**	**55.7**	**-89.4%**	**64.0**
Profit (loss) from discontinued operations	**-0.5**	**-0.3**		**-5.0**
Profit for the year	**5.4**	**55.4**	**-90.2%**	**59.0**
Non-controlling interests	**-1.9**	**-16.3**		**-19.4**
Profit Attibutable to owners of the parent	**3.5**	**39.1**	**-91.1%**	**39.5**

3.1 REVENUES

REVENUES BREAKDOWN January - September	9M 2018 € million	%	9M 2017 € million	%	Var. %	Year 2017 € million
Oil and gas	2,695.5	82.8%	3,295.6	84.9%	-18.2%	4,281.5
Power & Water	480.7	14.8%	505.9	13.0%	-5.0%	684.3
Other Industries	79.4	2.4%	81.1	2.1%	-2.1%	102.1
Net Revenues	**3,255.6**	**100%**	**3,882.6**	**100%**	**-16.1%**	**5,067.9**

In 9M 2018, net revenues decreased by 16.1% to € 3,255.6 million. The sales figure reflects the fact that major projects in the backlog are either at the engineering or completion stage.

Sales from the Oil and Gas Division amounted to €2,695.5 million in 9M 2018, with a decrease of 18%. Oil and Gas revenues represented the vast majority of total sales (83%):

- Refining and Petrochemical: The projects with the highest contribution to sales were the following: Talara for Petroperu (Peru), Al Zour for KNPC (Kuwait), 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 Haradh project for Saudi Aramco (Saudi Arabia), GT5 project for KNPC (Kuwait), and the Gasco project for ADNOC/Total/Shell (UAE).

Revenues from the power and water division decreased by 5% to € 480.7 million. The Teeside biomass project for MGT Teeside (UK), the Tierra Mojada CCGT for Fisterra Energy (Mexico), and the Turow coal plant for Polska Grupa Energetyczna (Poland), were the largest contributors to sales.

3.2 OPERATING PROFIT AND NET PROFIT

OPERATING AND NET PROFIT January - September	9M 2018 € million	9M 2017 € million	Var. %	Year 2017 € million
EBITDA	43.5	104.7	-58.5%	121.9
Margin	1.3%	2.7%		2.4%
EBIT	31.2	87.9	-64.5%	100.4
Margin	1.0%	2.3%		2.0%
Net Profit*	5.9	55.7	-89.4%	64.0
Margin	0.2%	1.4%		1.3%

* Profit for the year from continuining operations

EBIT BREAKDOWN January - September	9M 2018 € million	9M 2017 € million	Var. %	Year 2017 € million
Operating Profit from divisions	102.7	156.0	-34.1%	201.3
Costs not assigned to divisions	-71.6	-68.1	5.0%	-100.9
Operating profit (EBIT)	**31.2**	**87.9**	**-64.5%**	**100.4**

Financial Income/Expense January - September	9M 2018 € million	9M 2017 € million	Year 2017 € million
Net financial Income *	-2.5	-0.4	-0.7
Gains/losses in transactions in foreign currency	-19.0	-6.7	-6.2
Financial Income/Expense	**-21.5**	**-7.2**	**-6.9**

* Financial income less financial expenditure

9M 2018 EBIT was € 31.2 million and Operating Margin was 1.0%. Operating Profit has been impacted by non-recurrent factors:

- No oil and gas projects started in 2017 and project launch in 2018 took place later than expected.
- Continued difficulties in the recovery of extra costs incurred at the latest stages in some specific projects.

Net profit was € 5.9 million, impacted by a decrease in financial results. This decrease was mainly due to an accounting loss of € 19 million in the 9M 2108, related to foreign currency translation effects due to Turkish lira depreciation.

4. CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET September 30	9M 2018 € million	9M 2017 € million	Year 2017 € million
ASSETS:			
Non-current Assets			
Tangible and intangible assets	41.5	52.5	50.1
Investment in associates	11.6	13.0	13.4
Deferred tax assets	263.8	211.5	254.6
Other non-current assets	13.0	25.4	19.8
	329.9	**302.5**	**337.8**
Current assets			
Inventories	20.4	16.7	17.9
Trade and other receivables	2,461.9	2,708.8	2,786.1
Other current assets	89.6	127.1	106.6
Cash and Financial assets	741.6	635.2	637.3
	3,313.5	**3,487.9**	**3,548.0**
TOTAL ASSETS	**3,643.5**	**3,790.4**	**3,885.8**
EQUITY AND LIABILITIES:			
Equity	**380.4**	**491.0**	**463.3**
Non-current liabilities	**353.0**	**58.5**	**136.7**
Financial Debt	315.1	16.9	92.2
Other non-current liabilities	37.9	41.6	44.5
Long term provisions	**67.5**	**64.6**	**43.2**
Current liabilities			
Financial Debt	237.3	400.6	313.8
Trade payable	2,513.9	2,693.1	2,796.0
Other current liabilities	91.3	82.6	132.8
	2,842.5	**3,176.3**	**3,242.5**
Total liabilities	**3,263.0**	**3,299.3**	**3,422.5**
TOTAL EQUITY AND LIABILITIES	**3,643.5**	**3,790.4**	**3,885.8**

EQUITY September 30	9M 2018 € million	9M 2017 € million	Year 2017 € million
Shareholders' funds + retained earnings	434.9	540.3	538.1
Treasury stock	-73.6	-74.5	-73.0
Hedging reserve	4.9	10.5	15.8
Interim dividends	0.0	0.0	-35.9
Minority Interest	14.2	14.8	18.2
EQUITY	**380.4**	**491.0**	**463.3**

NET CASH POSITION September 30	9M 2018 € million	9M 2017 € million	Year 2017 € million
Current assets less cash and financial assets	2,571.9	2,852.6	2,910.7
Current liabilities less financial debt	-2,605.2	-2,775.7	-2,928.8
COMMERCIAL WORKING CAPITAL	**-33.3**	**76.9**	**-18.1**
Financial assets	67.9	66.7	67.4
Cash and cash equivalents	673.7	568.5	569.9
Financial Debt	-552.4	-417.4	-406.0
NET CASH POSITION	**189.2**	**217.8**	**231.3**
NET CASH + COMMERCIAL WORKING CAPITAL	**155.9**	**294.7**	**213.2**

- At the end of September 2018, the equity of the company was € 380.4 million, impacted by the reduction of retained earnings, mainly impacted by the start of the application of NIC 9 and NIC 15.
- In 9M 2018, the balance sheet closed with a net cash position of € 189 million, in the range of previous quarters. Cash position is impacted by the growth of the exposure to prime customers in the Middle East and working capital needs generated at the final stage of the projects.
- In January 2018, Técnicas Reunidas paid € 35.8 million as interim dividend. In addition, as it was approved at the AGM, the company paid an additional dividend of € 14.2 million on 13th of July. Therefore, total remuneration to shareholders in 2018 was € 50 million.

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	Sep 18	Sep 17
(+) Revenues	Revenues and other income	3,257.5	3,883.8
(-) Operating expenses	Raw materials and consumables, employee benefit expense, other expenses, depreciation/amortisation and impairment charges	-3,226.3	-3,795.9
= Operating income	**Revenues - Operating expenses**	**31.2**	**87.9**
(+) Depreciation/amortisation and impairment charges	Depreciation/amortisation and impairment charges	12.3	16.9
EBITDA	**Operating income excluding depreciation and amortisation**	**43.5**	**104.7**

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	Sep 18	Sep 17
(+) EBITDA	Operating income excluding depreciation and amortisation	43.5	104.7
(-) Amortisation and depreciation expenses	Depreciation/amortisation and impairment charges	-12.3	-16.9
EBIT	**Operating income**	**31.2**	**87.9**

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	Sep 18	Dic 17
(+) 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	673.7	569.9
(+) Financial assets at fair value	Financial assets at fair value through profit and loss	67.9	67.4
(-) Financial debt	Short-term and long-term debt with credit entities	-532.8	-384.4
	Borrowings related to the assets classifies as held for sale	-19.6	-21.5
NET CASH	**Cash and equivalents (+) Financial assets at fair value (-) financial debt**	**189.2**	**231.3**

DISCLAIMER

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