TECNICAS REUNIDAS

FIRST HALF RESULTS

January – June 2019

CONTENTS:

2019 First Half Results subject to limited review by Auditors (Deloitte, PWC)

1. MAIN HIGHLIGHTS

- YTD Backlog[1] of € 11.5 billion[1], a 28% increase over the year-end backlog
- YTD Order intake of € 4.4 billion
- Sales at € 2.2 billion
- Operating profit (EBIT) at € 27.4 million
- Net cash position of € 250 million

YTD **Backlog** improved to € 11.5 billion. This figure adds to the 1H 2019 backlog (€ 8.8 bn) the award in early July of two upstream projects, with a total value of USD 3.0 bn, in Saudi Arabia. These projects are part of Marjan Upstream program, a major strategic investment for Saudi Aramco. The other important addition to the backlog in 2019 was the expansion of a refinery in Singapore for ExxonMobil for USD 1.5 bn. Also, the company was awarded in 1H 2019 several front-end engineering contracts, including a design project for the Upper Zakum offshore oilfield in the United Arab Emirates.

Total sales reached € 2.2 billion in 1H 2019. Sales variations in recent quarters reflect current backlog unbalance, as the majority of projects are either at an early phase of execution or at an advanced construction stage.

First half 2019 **EBIT** was € 27.4 million, that compares to the 1H 2018 EBIT of € 17.1 million. This operating profit includes the healthy margins of the recently started projects, that will progressively compensate the lower margins in the projects that are being successfully delivered.

Net cash position at the end of June improved to € 250 million. The company has maintained a stable cash position in recent quarters.

Outlook and Guidance for 2019

Positive medium-term outlook for awards on the basis of a dynamic and high pipeline of opportunities consistently maintained above USD 40 billion, during the last year, and spread over all regions and products.

For 2019 the company guides for:

- Backlog increase in line with the higher level of bidding
- Stable sales
- Progressive margin recovery, approaching 4% in the last part of 2019
- Shareholder remuneration in line with market recovery

.[1] Backlog as of 30th of June plus the Marjan project, signed in early July.

Juan Lladó, Técnicas Reunidas Chief Executive Officer, commented:

"The recent major awards in Saudi Arabia have taken our backlog to € 11.5bn, which guarantees the growth of the company. We are very proud of having been selected to participate in the Marjan upstream program, a flagship project for our key client Saudi Aramco.

Our strong backlog is the result of the trust that the top world energy companies, such as Saudi Aramco, Adnoc, Exxon, Socar or General Electric, have placed on Técnicas Reunidas over 2019. This trust has to do with quality; quality that is reflected in the continuous improvements in our HSE indicators and the numerous prizes that our clients have awarded to us. It has to do with our commitment to client satisfaction. A commitment that has never been compromised despite the extremely complex execution environment.

The combination of a strong pipeline of opportunities, the fast pace of awards and a strong backlog, give us comfort and it allows us to be selective in terms of technologies, geographies or contract types. For instance, we are bidding in more cost-plus schemes, which diversify risks and improve delivery. It also allows us to focus on operational improvements and cost reductions that will protect our profitability.

I am highly confident about the future. With $7bn awards in the last 10 months, the company has returned to sales growth, progressive recovery of margins, and improvement in cash generation. But most important, it shows that we have the trust of top clients in the energy sector, the key for our long term success".

The main figures for the 1H 2019 are the following ones:

HIGHLIGHTS *January - June*	1H 2019 € million	1H 2018 € million	Var. %	Year 2018 € million
Backlog	8,781	9,027	-3%	8,981
Net Revenues	2,217	2,259	-2%	4,396
EBITDA (1)	46.4	25.5	82%	61
Margin	2.1%	1.1%		1.4%
EBIT (1)	27.4	17.1	60%	42
Margin	1.2%	0.8%		1.0%
Net Profit (2)	13.6	6.9	97%	14
Margin	0.6%	0.3%		0.3%
Net Cash Position (1)	250.1	206.9	21%	257.7

(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/

IFRS 16 Application

The application of the new financial reporting standard IFRS 16 had a positive impact of € 12.8 million in the 1H 2019 EBITDA and a decrease in net profit of € 0.3 million. In the balance sheet, the increase of assets was €48 million.

2. BACKLOG

	Project	Country	Client
Refining and Petrochemical	ExxoMobil´ refinery	Singapore	ExxonMobil
	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
Upstream & Gas	Bu Hasa	United Arab Emirates	ADNOC Onshore
	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
Power	Sewa	United Arab Emirates	Sumitomo / GE EFS
	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 June, 30th 2019

At the end of June 2019, Técnicas Reunidas' backlog amounted to € 8.78 billion. The Oil and Gas projects comprised 95% of the total backlog, whereas the Power division accounted for 5%. In July, the company was awarded packages 9 and 11 of the Marjan project for Saudi Aramco in Saudi Arabia, which will be included in the 3Q 2019 backlog. Adding this project, the backlog figure YTD would exceed € 11.47 billion.

YTD 2019 order intake was € 4.38 billion. So far, during 2019, the main projects awarded to the company were the following:

Marjan upstream program: Saudi Aramco awarded Package 9 and 11 to Técnicas Reunidas within the strategic Marjan upstream program. These two packages include the facilities of its new gas treatment plant in Tanajib. The total capacity of the Marjan investment will increase to 2.5 BSCFD of gas and 85 MBCD of condensate, coming from the oil and gas fields of Marjan, Safaniyah and Zuluf, in eastern Saudi Arabia.

The contracts, that have a total duration of 44 months and a combined value of approximately 3,000 million USD, include gas inlet facilities, storage and compression packages, as well as the recovery and fractionation of NGL.

The scope of works related to these packages include engineering, supply of equipment and materials, construction, installation and commissioning until mechanical completion. The new facilities will supply natural gas to the gas country's network, that will be reinjected to the offshore fields and will be also be used to produce of ethane, butane, propane, pentane and other associated products.

ExxonMobil Singapore Refining project: Técnicas Reunidas was awarded the EPC[2] for the process units at its Singapore refinery expansion project. The contract has a value of approximately USD 1.5 billion over a duration of 43 months.

This EPC contract, a continuation of Técnicas Reunidas's FEED[3] work, is part of a multi-billion dollar investment by ExxonMobil in Singapore.

The refinery expansion aims to produce higher-value products from fuel oil. Técnicas Reunidas will assist ExxonMobil to achieve this by undertaking EPC works for several refining units based on ExxonMobil's proprietary technologies, other licensed technologies and other units.

TR's scope includes hydro-processing conversion units, sulphur recovery, hot oil system and associated off-sites and utilities.

This award marks the second standalone award by ExxonMobil to Técnicas Reunidas and further strengthens the company presence in Asia Pacific, a region that enjoys high growth rates of demand in our businesses.

***Combined cycle in Abu Dhabi*:** As part of a consortium with General Electric, Técnicas Reunidas signed a new combined cycle plant in the United Arab Emirates. The value of this project for Técnicas Reunidas will be above USD 350 million. This new combined cycle will provide electricity to the Emirate of Sharjah. It will be fuelled by natural gas and will meet the latest emission standards. The project will be executed in 53 months.

Also, in the first half of 2019, the company was awarded several key design and front-end engineering jobs:

- FEED for the Upper Zakum offshore oilfield expansion, in the United Arab Emirates, which will increase the production in 250,000 barrels per day. This is one of the largest oil fields in the world. With this new award, Técnicas Reunidas is currently present in the two most strategic fields of ADNOC, Bu Hasa and Upper Zakum, which have an approximate combined capacity of 1.3 million barrels per day.
- Conceptual Design for the expansion of the Balongan Refinery in Indonesia.
- Two Process Design Packages (PDP) for two petrochemical plants for Sabic in China.
- An extended Process Design Package for Hydrocracker Unit for AXENS in Egypt.
- FEED for a petrochemical investment for SOCAR/BP in Turkey.

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[2] EPC:"Engineering, Procurement and Construction"
[3] FEED: "Front End Engineering and Design"

- FEED/OBE of New Fuels Specifications 10 PPM Project for three refining complex of YPF in Argentina (Mendoza, Buenos Aires and Neuquén).

At the end of 2018, Técnicas Reunidas Power and Water Division was selected for a large combined cycle power plant, with a value above USD 550 million. This project will be included in the backlog when it reaches financial closing, expected in the second half of the year. This plant, with a power output above 1,000 MW, will use the latest gas turbine generation technology.

3. CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT January - June	1H 2019 € million	1H 2018 € million	Var. %	Year 2018 € million
Net Revenues	**2,216.7**	**2,259.5**	**-1.9%**	**4,396.3**
Other Revenues	3.0	0.9		6.8
Total Income	**2,219.7**	**2,260.4**	**-1.8%**	**4,403.1**
Raw materials and consumables	-1,727.5	-1,688.6		-3,436.6
Personnel Costs	-311.1	-300.6		-584.0
Other operating costs	-134.7	-245.6		-321.4
EBITDA	**46.4**	**25.5**	**82.2%**	**61.1**
Amortisation	-19.0	-8.3		-18.9
EBIT	**27.4**	**17.1**	**59.6%**	**42.1**
Financial Income/ expense	-6.3	-6.2		-18.8
Share in results obtained by associates	-1.8	-0.8		-1.0
Profit before tax	**19.3**	**10.2**	**90.0%**	**22.3**
Income taxes	-5.7	-3.3		-7.8
Profit for the year from continuining operations	**13.6**	**6.9**	**96.6%**	**14.4**
Profit (loss) from discontinued operations	**0.0**	**-0.1**		**0.0**
Profit for the year	**13.6**	**6.8**	**100.9%**	**14.4**
Non-controlling interests	**0.2**	**1.3**		**-2.5**
Profit Attibutable to owners of the parent	**13.4**	**5.5**	**143.2%**	**12.0**

3.1 REVENUES

REVENUES BREAKDOWN January - June	1H 2019 € million	%	1H 2018 € million	Var. %	Year 2018 € million
Oil and gas	2,027.1	91.5%	1,816.1	11.6%	3,717.0
Power & Water	144.4	6.5%	378.0	-61.8%	578.1
Other Industries	45.1	2.0%	65.4	-31.0%	101.2
Net Revenues	**2,216.7**	**100%**	**2,259.5**	**-1.9%**	**4,396.3**

In 1H 2019, net revenues reached € 2,216.7 million. Sales variations in recent quarters reflect current backlog unbalance, as the majority of projects are either at an early phase of execution or at an advanced construction stage.

Sales from the oil and gas division went up 11.6% and reached € 2,027.1 million in 1H 2019. Oil and Gas revenues represented the vast majority of total sales (91.5%):

- Refining and Petrochemical: The projects with the highest contribution to sales were the following: Dqum for DRPIC, Ras Tanura for Saudi Aramco (Saudi Arabia) and Al Zour for KNPC (Kuwait).
- Upstream and Natural Gas: The main contributors to sales were: the Haradh project and the Fadhili project both for Saudi Aramco (Saudi Arabia) and the ADGAS project for ADNOC LNG (United Arab Emirates).

Revenues from the power division stood at € 144.4 million in 1H 2019, which represent a decrease of 61.8%, since four out of the five projects of the division have moved to the latest stage of the construction. This decrease impacted the operational margin of the division, due to the difficulties linked to the delivery phase and the lower absorption of the commercial costs and divisional overheads.

3.2 OPERATING AND NET PROFIT

OPERATING AND NET PROFIT January - June	1H 2019 € million	1H 2018 € million	Var. %	Year 2018 € million
EBITDA	46.4	25.5	82.2%	61.1
Margin	2.1%	1.1%		1.4%
EBIT	27.4	17.1	59.6%	42.1
Margin	1.2%	0.8%		1.0%
Net Profit*	13.6	6.9	96.6%	14.4
Margin	0.6%	0.3%		0.3%

*Net Profit from from continuining operations

EBIT BREAKDOWN January - June	1H 2019 € million	1H 2018 € million	Var. %	Year 2018 € million
Operating Profit from divisions	78.1	61.0	27.9%	142.6
Costs not assigned to divisions	-50.7	-43.9	15.5%	-100.5
Operating profit (EBIT)	**27.4**	**17.1**	**59.6%**	**42.1**

Financial Income/Expense January - June	1H 2019 € million	1H 2018 € million	Year 2018 € million
Net financial Income *	-3.1	-2.4	-6.6
Gains/losses in transactions in foreign currency	-3.1	-3.8	-12.2
Financial Income/Expense	**-6.3**	**-6.2**	**-18.8**

* Financial income less financial expenditure

EBITDA for the first half of 2019 was € 46.4 million, and EBITDA margin was 2.1%. The impact of the application of IFRS 16 was € 12.8 million. Therefore, EBITDA excluding this impact, stood at € 33.6 million.

First half 2019 **EBIT** was € 27.4 million, that compares to the 1H 2018 EBIT of € 17.1 million. Operating profit margin was 1.2%. This operating profit includes the healthy margins of recently started projects that will progressively compensate the lower margins in the projects that are being successfully delivered. The effect on 1H 2019 EBIT of the IFRS 16 was € 0.2 million.

Net profit was € 13.6 million, compared to € 6.9 million in the first half of 2018. Net profit also reflects the effect of financial results and taxes:

- Financial results recorded at € 6.3 million, which includes € 0.5 million financial expense from the IFRS 16 application
- In the first half, the company income tax accounted was € 5.7 million, which represents an effective tax rate of 29.6%.

- As shown in the undermentioned table, there is an impact on the net profit of -€ 0.3 million, due to the application of the IFRS 16.

4. CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET June 30	1H 2019 € million	1H 2018 € million	Year 2018 € million
ASSETS:			
Non-current Assets			
Tangible and intangible assets	136.7	43.5	90.9
Investment in associates	10.4	12.6	12.7
Deferred tax assets	317.5	273.7	319.3
Other non-current assets	72.2	13.2	92.0
	536.8	**343.0**	**514.9**
Current assets			
Inventories	25.0	19.7	23.0
Trade and other receivables	2,695.3	2,768.0	2,421.7
Other current assets	20.7	91.2	19.7
Cash and Financial assets	753.2	742.6	745.6
	3,494.3	**3,621.6**	**3,210.0**
TOTAL ASSETS	**4,031.0**	**3,964.6**	**3,724.9**
EQUITY AND LIABILITIES:			
Equity	**360.7**	**382.1**	**358.6**
Non-current liabilities	**379.3**	**350.8**	**446.9**
Financial Debt	311.6	314.2	388.5
Other non-current liabilities	67.7	36.5	58.4
Long term provisions	**27.2**	**48.3**	**39.6**
Current liabilities	**3,263.9**	**3,183.5**	**2,879.8**
Financial Debt	191.5	221.5	99.4
Trade payable	2,942.5	2,840.1	2,654.1
Other current liabilities	129.9	121.9	126.3
Total liabilities	**3,670.3**	**3,582.6**	**3,366.3**
TOTAL EQUITY AND LIABILITIES	**4,031.0**	**3,964.6**	**3,724.9**

EQUITY June 30	1H 2019 € million	1H 2018 € million	Year 2018 € million
Shareholders' funds + retained earnings	435.3	433.4	426.4
Treasury stock	-73.6	-73.6	-74.1
Hedging reserve	-14.7	6.0	-7.3
Interim dividends	0.0	0.0	0.0
Minority Interest	13.7	16.2	13.6
EQUITY	**360.7**	**382.1**	**358.6**

NET CASH POSITION June 30	1H 2019 € million	1H 2018 € million	Year 2018 € million
Current assets less cash and financial assets	2,741.0	2,879.0	2,464.4
Current liabilities less financial debt	-3,072.4	-2,962.0	-2,780.4
COMMERCIAL WORKING CAPITAL	**-331.3**	**-83.0**	**-315.9**
Financial assets	65.5	68.0	64.8
Cash and cash equivalents	687.8	674.6	680.8
Financial Debt	-503.1	-535.7	-487.9
NET CASH POSITION	**250.1**	**206.9**	**257.7**
NET CASH + COMMERCIAL WORKING CAPITAL	**-81.2**	**123.9**	**-58.2**

At the end of June 2019, equity of the company was € 361 million, similar to the end of December of 2018.

Net cash position stood at € 250 million with no relevant downpayments in the quarter. The company has maintained a stable cash position in the recent quarters. For consistency, the net cash figure does not include the new lease liabilities arising from IFRS 16 implementation as financial debt. These lease liabilities amounted to € 48.7 million in the 1H2019.

IFRS 16: 1Q 2019 Reconciliation

€ Million	1H 2019	*IMPACT*	1H 2019 Adjusted IFRS16
EBITDA	46.4	**12.8**	33.6
DEPRECIATION	19.0	**12.6**	6.4
FINANCIAL CHARGES	6.3	**0.5**	5.8
NET INCOME	13.6	**-0.3**	13.9
"RIGHT OF USE" ASSETS	48.5	**48.5**	0
SHORT-TERM LEASE LIABILITIES	24.7	**24.7**	0
LONG-TERM LEASE LIABILITIES	24.0	**24.0**	0

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	Jun 19	Jun 18
(+) Revenues	Revenues and other income	2,219.7	2,260.4
(-) Operating expenses	Raw materials and consumables, employee benefit expense, other expenses, depreciation/amortisation and impairment charges	-2,192.3	-2,243.2
= Operating income	**Revenues - Operating expenses**	**27.4**	**17.1**
(+) Depreciation/amortisation and impairment charges	Depreciation/amortisation and impairment charges	19.0	8.3
EBITDA	**Operating income excluding depreciation and amortisation**	**46.4**	**25.5**

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	Jun 19	Jun 18
(+) EBITDA	Operating income excluding depreciation and amortisation	46.4	25.5
(-) Amortisation and depreciation expenses	Depreciation/amortisation and impairment charges	-19.0	-8.3
EBIT	**Operating income**	**27.4**	**17.1**

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	Jun 19	Jun 18
(+) 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	687.8	674.6
(+) Financial assets at fair value	Financial assets at fair value through profit and loss	65.5	68.0
(-) Financial debt	Short-term and long-term debt with credit entities	-503.1	-515.7
	Borrowings related to the assets classifies as held for sale	0.0	-20.1
NET CASH	**Cash and equivalents (+) Financial assets at fair value (-) financial debt**	**250.1**	**206.9**

Disclaimer

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