TECNICAS REUNIDAS

9M 2022 Results

8 November 2022

Non-audited accounts

MAIN HIGHLIGHTS

- Backlog of €10.1 billion
- YTD order intake of €1.2 billion
- 9M 2022 sales at €2,810 million, a 34% increase versus the same period of last year
- Q3 2022 EBIT at €27 million
- Q3 2022 net profit at €21 million
- Net cash position of €104 million

Juan Lladó, Técnicas Reunidas Chairman, commented:

"We are presenting third quarter results that are in line with our guidance. Quarterly sales moved back to 1 billion euros, close to pre-Covid levels, with improved margins through operating leverage, as well as through cost containment and smoother project execution.

Operating results and cash generation are also moving back to pre-Covid positive levels, signalling the reversion to the normalized times that we have been missing for quite some time.

With regard to awards, I want to stress that we are currently getting prepared for a big wave of investments that are forthcoming, as already announced by our main clients, both in traditional and low carbon energy. In fact, in the last weeks our customers are exploring alternative ways to early engage with our engineering capacity for their major investment plans.

We are currently executing a 10 billion euros backlog with a lower risk profile. Within this backlog, let me highlight the project of almost 4 billion euros in total investment for Ineos. As it is being executed on a service basis, it adds little to award figures. However, I can guarantee you that our engineering teams, together with our customer, are teaming up to execute the cleanest and most efficient plant of its kind in Europe.

Our guidance for the next quarters continues to be of solid progression towards our mid-term targets, with the full normalization of our operational and financial magnitudes: sales, awards, operating results and cash generation. We are moving steadily to the achievement of our goals."

Highlights € million	Q3 2022	9M 2022	9M 2021	Variation	2021
Backlog	10,139	10,139	9,469	*7%*	10,519
Net Revenues	1,156	2,810	2,104	*34%*	2,808
EBIT	26.6	-29.8	-147.8	*80%*	-156.6
Margin	*2.3%*	*-1.1%*	*-7.0%*		*-5.6%*
Net Profit [2]	20.7	-47.2	-156.9	*70%*	-192.1
Margin	*1.8%*	*-1.7%*	*-7.5%*		*-6.8%*
Net Cash Position [1]	104	104	-91	*214%*	-76

[1] Figures classified as Alternative Performance Metrics ("APMs"). See appendix.
[2] Profit for the year from continuining operations

9M 2022 RESULTS SUMMARY

Backlog at the end of 9M 2022 amounted to €10.1 billion. New orders since the start of 2022 reached €1.2 billion. Macro volatility in the first half of the year led to delays of Final Investment Decisions (FID's) by our clients. After the summer period, however, commercial activity has substantially improved and we have seen an acceleration of bidding processes.

The **main awards** added to the backlog in the period were: the four combined cycles in Mexico for CFE; the expansion of the sulfur-handling, storage and loading facilities of the North Field Expansion Project for Qatar Gas in Qatar; and the new ethylene plant for INEOS in Belgium. In addition, the company signed important engineering contracts and agreements for future project developments in the petrochemical and energy transition industries. In particular, TR signed two significant contracts with two emblematic energy transition developments, HyDeal y Peterhead, that show the ramp up of activity in this area.

Total sales reached €2,810 million in 9M 2022, with a 34% increase vs. 9M 2021; and a 31% increase on a quarterly basis. This growth shows the gradual and steady recovery of operations, despite the highly volatile scenario initially experienced in 2022, that affected raw material prices and workforce availability. Since these headwinds are currently easing, the company is progressively going back to historic quarterly figures above €1 billion and expects this level to be sustained in coming quarters.

EBIT in 9M 2022 stood at €-29.8 million, a figure impacted by a one-off provision of €75 million for litigations accounted in the second quarter. The **EBIT** figure for Q3 2022 stood at €26.6 million, which is the best level achieved since the second quarter of 2017.

The **net cash position** at the end of 9M 2022 stood at €104 million. This amount includes €175 million related to the Profit Participating Loan (PPL) received in February 2022. The positive progress of net cash during 2022, shows a gradual normalization of payment practices combined with the continuous effort of TR's management on the improvement of working capital. This net cash figure already includes the €80 million July cash outflow due to the Touat Gaz project bond execution.

Net profit for Q3 2022 period reached €20.7 million, tripling the level of the same period of last year. Net profit for 9M 2022 stood at €-47.2 million, affected by the aforementioned one-off litigation provisions.

OUTLOOK AND GUIDANCE FOR H2 2022

The company currently forecasts for the second half of 2022 a ramp up in sales and margins figures compared to H1 2022:

- Sales in the range of €2,100 million and €2,300 million.
- EBIT margin in the range of 2.5% and 3%.

Webcast results details

Técnicas Reunidas will hold a conference call on 8th November at 18:30 CET. It can be accessed through the link in its homepage: http://www.tecnicasreunidas.es/en/

BACKLOG AND ORDER INTAKE

€ million	9M 2022	9M 2021	Variation	2021
Backlog	10,139	9,469	*7%*	10,519
Order intake	1,195	3,715	*-68%*	4,165

Backlog

Downstream		
Project	**Country**	**Client**
Sitra refinery	Bahrain	BAPCO
Duqm refinery	Oman	DRPIC
Environmental enhancement project	Chile	ENAP
Exxon Mobil refinery	Singapore	Exxon Mobil
Ethylene plant	Belgium	INEOS
Polyethylene plant	Canada	Nova Chemicals
Petrochemical complex	Poland	Orlen
Minatitlán refinery	Mexico	Pemex
FEED Tuban	Indonesia	Pertamina / Rosneft
PTA Complex	Turkey	SASA Polyester
Baku refinery	Azerbaijan	SOCAR
Hassi Messaoud refinery	Algeria	Sonatrach
Upstream		
Project	**Country**	**Client**
Dalma	United Arab Emirates	ADNOC
Das Island	United Arab Emirates	ADNOC LNG
Bu Hasa	United Arab Emirates	ADNOC Onshore
GT5	Kuwait	KNPC
North Field package 3	Qatar	Qatargas
North Field package 4	Qatar	Qatargas
Marjan	Saudi Arabia	Saudi Aramco
Haradh	Saudi Arabia	Saudi Aramco
Hydrotreatment and hydrogen units	Argentina	YPF
Power		
Project	**Country**	**Client**
Combined cycles	Mexico	CFE
Sewa	United Arab Emirates	Sumitomo / GE EFS
Cogeneration plant	Canada	Suncor
Energy efficiency	Colombia	Termocandelaria

At the end of 9M 2022, Técnicas Reunidas' backlog amounted to €10.1 billion, 7% higher than the level reached at the end of 9M 2021. The strong appreciation of the dollar against the euro impacted positively on the backlog figure of the period.

Downstream and Upstream projects comprised 87% of the total backlog, whereas the Power division accounted for 13%.

Order intake

9M 2022 **order intake** reached €1.2 billion. The main projects awarded in our traditional business were:

- **Four combined cycles in Mexico for CFE (Mexico's Federal Electricity Commission)**. These contracts were awarded to the consortium formed by TR and TSK and include engineering, supply, construction and commissioning of the balance of plant of the combined cycle power plants.

  Two of the combined cycles will be located in the Yucatan Peninsula, at Valladolid and Mérida (with the power trains and heat recovery steam generators provided by Mitsubishi); and the other two will be placed in San Luis Rio Colorado and González Ortega (with the power trains and heat recovery steam generators provided by Siemens). They will all contribute to the improvement and decarbonization of the Mexican electricity sector.

  The total contract amount for Técnicas Reunidas is close to USD675 million.

- **The NFXP Sulfur Project for QatarEnergy in Qatar.** The contract was awarded to a joint venture formed by Técnicas Reunidas (70%) and the Chinese company Wison Engineering Ltd. (30%) for more than USD600 million.

  The project consists of the construction of new sulfur handling, storage and loading facilities to process and export sulfur from the existing expansion of the LNG plant at Ras Laffan Industrial City. These new plants will process an average of 5,000 tons of molten sulfur per day.

  The contract will also include an option for further expansion to support sulfur production for the two additional LNG trains of the North Field South Project, and infrastructure to support future additional LNG trains.

- **The project management, engineering, procurement and construction management and supervision services for a world scale ethylene plant in Europe for INEOS.**

  INEOS, the world's leading private chemical company, will invest €3-4 billion euros in this project. It will be the largest capital investment made by the European chemical sector in the last 20 years. The facility, to be built in the Belgian port of Antwerp, will have a production capacity of 1.5 million tons per year. Start-up of the facility is expected in 2026.

  TR will mobilize a highly qualified team that will reach a peak of 450 professionals in Madrid, composed of process engineers and chemical engineers, among other specialties. In addition, TR will mobilize a peak of 225 professionals for construction supervision to the site where the construction of the large-scale modules, designed by Técnicas Reunidas, will be carried out.

Furthermore, the company signed two important contracts in the energy transition business:

- **HyDeal selected Técnicas Reunidas for the technical design, architecture and supply chain of the first Spanish hydrogen plants.**

  HyDeal España is an industrial JV of ArcelorMittal, Enagás, Grupo Fertiberia and DH2 Energy. It is the largest integrated renewable hydrogen hub in Europe with a total installed capacity will reach 9.5 GW of solar power and 7.4 GW of electrolyzers. The production of hydrogen will start by the end of 2025, reaching 330,000 tons in 2030.

- **The FEED for a combined cycle plant with carbon capture technology for SSE Thermal and Equinor in Peterhead, Scotland.**

  The project, in which Técnicas Reunidas will be part of a consortium formed by Mitsubishi Heavy Industries and Worley, will involve the commercial application of state-of-the-art natural gas-fired power generation technology integrated with carbon capture, removing up to 1.5 million tonnes of CO_2 emissions every year. The captured carbon will be stored in wells in the North Sea. The project is awaiting regulatory approval.

9M 2022 RESULTS

€ million	9M 2022	9M 2021	Variation	2021
Net Revenues	**2,810.4**	**2,104.2**	**33.6%**	**2,807.6**
Other Revenues	4.7	16.8		19.6
Total Income	2,815.1	2,121.0	32.7%	2,827.2
Raw materials and consumables	-2,169.3	-1,595.3		-2,123.5
Personnel Costs	-359.5	-359.4		-475.7
Other operating costs	-297.5	-293.1		-357.2
EBITDA	**-11.2**	**-126.7**	**91.2%**	**-129.2**
Amortisation	-18.6	-21.0		-27.4
EBIT	**-29.8**	**-147.8**	**79.8%**	**-156.6**
Financial Income / expense	-15.4	-16.7		-22.1
Share in results obtained by associates	-0.1	-1.0		-1.1
Profit before tax	**-45.3**	**-165.5**	**72.6%**	**-179.8**
Income taxes	-1.9	8.5		-12.3
Profit for the year from continuining operations	**-47.2**	**-156.9**	**69.9%**	**-192.1**
Profit (loss) from discontinued operations	0.0	0.0		0.0
Profit for the year	**-47.2**	**-156.9**	**69.9%**	**-192.1**
Non-controlling interests	-1.4	1.1		1.7
Profit Attibutable to owners of the parent	**-48.6**	**-155.8**	**68.8%**	**-190.4**

Revenues

Net revenues reached €2,810.4 million in 9M 2022, with a 34% increase versus 9M 2021. Compared to the figure in the second quarter of 2022, it represents a 31% quarter on quarter increase. It is the fifth quarter in a row of positive growth in sales, showing the progressive recovery of operations, heavily impacted by Covid in the previous 2 years.

€ million	9M 2022	Weight	9M 2021	Variation
Oil and gas	2,583.1	91.9%	2,036.8	26.8%
Power & Water	168.3	6.0%	44.4	278.9%
Other Industries	59.1	2.1%	22.9	157.5%
Net Revenues	2,810.4	100%	2,104.2	33.6%

Sales from the **oil and gas division** went up 26.8% and reached €2,583.1 million in 9M 2022. Oil and Gas revenues represented most of total sales (92%):

- Downstream: The projects with the highest contribution to sales were Duqm for DRPIC in Oman, Sitra for BAPCO in Bahrain, the project for Socar in Azerbaijan and the petrochemical complexes for Sasa Polyester in Turkey and for Orlen in Poland.
- Upstream: The main contributors to sales were the project for ExxonMobil in Singapore and the Bu Hasa project for ADNOC Onshore in the United Arab Emirates; as well as the Haradh and Marjan projects for Saudi Aramco in Saudi Arabia.

Sales from the **power division** stood at €168.3 million in 9M 2022, more than doubling the figure reported in the same period of last year.

Operating and net profit

€ million	Q3 2022	9M 2022	9M 2021	Variation	2021
Operating profit from divisions	47.8	38.5	-75.1	151.2%	-54.0
Costs not assigned to divisions	-21.3	-68.3	-72.6	5.9%	-102.7
EBIT	26.6	-29.8	-147.8	79.8%	-156.6
Margin	*2.3%*	*-1.1%*	*-7.0%*		*-5.6%*
Net Profit*	20.7	-47.2	-156.9	69.9%	-192.1
Margin	*1.8%*	*-1.7%*	*-7.5%*		*-6.8%*

*Net Profit from from continuining operations

On a quarterly basis, Q3 2022 **EBIT** stood at €26.6 million, which is the highest level achieved since the second quarter of 2017. EBIT margin over sales improved to 2,3%.

EBIT in 9M 2022 stood at €-29.8 million, a figure impacted by €15 million of Covid costs and a one-off provision of €75 million for litigations, that is mainly due to the recent call of performance bonds of our Touat Gaz project in Algeria by our client, as announced in the second quarter of this year.

General costs that are not assigned to any division, such as corporate costs, stood at €68.3 million, which implies a decline in almost 6% versus the same period of last year. This evolution shows the effort in terms of cost containment that TR is performing in recent quarters.

Net profit in Q3 2022 was €20.7 million, tripling the level of Q3 2021. Net profit for 9M 2022 was €-47.2 million, which compares to €-156.9 million in the same period of last year.

In addition to the operating income evolution, explained above, net profit also reflects the effect of financial results and taxes:

- Financial expense was €-15.4 million, including €-17.8 million of financial costs and €2.4 million due to gains from transactions in foreign currency.
- Company income tax was a positive €1.9 million.

€ million	9M 2022	9M 2021	Variation	2021
Net financial Income *	-17.8	-10.9	-63%	-16.9
Gains/losses in transactions in foreign currency	2.4	-5.8	141%	-5.1
Financial Income/Expense	**-15.4**	**-16.7**	**8%**	**-22.1**

* Financial income less financial expenditure

Balance sheet

€ million	30 Sep 2022	30 Sep 2021	31 Dec 2021
Tangible and intangible assets	122.7	118.7	113.1
Investment in associates	1.6	1.7	1.6
Deferred tax assets	431.8	431.6	410.9
Other non-current assets	19.7	77.5	83.0
Non-current Assets	**575.8**	**629.5**	**608.6**
Inventories	8.2	10.0	8.6
Trade and other receivables	3,319.2	2,558.8	2,568.0
Other current assets	65.5	18.1	31.3
Cash and Financial assets	948.5	691.9	666.9
Current assets	**4,341.3**	**3,278.8**	**3,274.8**
TOTAL ASSETS	**4,917.1**	**3,908.3**	**3,883.4**
Equity	**65.9**	**141.1**	**104.7**
Profit Participating Loan (PPL)	175.0	0.0	0.0
Total Equity (Equity + PPL)	**240.9**	**141.1**	**104.7**
Non-current liabilities	**769.5**	**603.5**	**570.7**
Financial Debt	645.8	497.2	475.5
Other non-current liabilities	123.7	106.4	95.2
Long term provisions	**94.1**	**98.5**	**70.3**
Current liabilities	**3,812.6**	**3,065.3**	**3,137.8**
Financial Debt	198.6	286.2	267.4
Trade payable	3,489.3	2,689.4	2,775.1
Other current liabilities	124.7	89.7	95.4
Total liabilities	**4,851.2**	**3,767.2**	**3,778.8**
TOTAL EQUITY AND LIABILITIES	**4,917.1**	**3,908.3**	**3,883.4**

Net cash stood at €104.1 million at the end of 9M 2022. This amount includes €175 million related to the Profit Participating Loan (PPL) received in February 2022 from SEPI. The positive progress of net cash during 2022 shows the continuous effort of TR's management on the working capital of the company. It is important to highlight that the €104.1 million net cash position already includes the execution of €80 million performance bonds of the Touat Gaz project in Algeria, which took place during the month of July.

€ million	30 Sep 2022	30 Sep 2021	31 Dec 2021
Current assets less cash and financial assets	3,392.9	2,586.9	2,607.9
Current liabilities less financial debt	-3,614.1	-2,779.1	-2,870.5
COMMERCIAL WORKING CAPITAL* (1)	**-221.2**	**-192.2**	**-262.5**
Financial assets	0.0	0.0	0.0
Cash and cash equivalents	948.5	691.9	666.9
Financial Debt	-844.4	-783.3	-742.9
NET CASH POSITION (1)	**104.1**	**-91.4**	**-76.0**
NET CASH + COMMERCIAL WORKING CAPITAL (1)	**-117.1**	**-283.6**	**-338.5**

*Calculated as "Current assets less cash and financial assets" - "Current liabilities less financial debt"
(1) Includes PPL at 30 June 2022

At the end of September 2022, total equity of the company stood at €240.9 million. This figure includes the €175 million PPL from SEPI.

€ million	30 Sep 2022	30 Sep 2021	31 Dec 2021
Shareholders' funds + retained earnings	163.1	206.1	171.0
Treasury stock	-73.2	-73.4	-73.3
Hedging reserve	-35.3	-1.7	-2.6
Interim dividends	0.0	0.0	0.0
Minority Interest	11.3	10.0	9.6
Profit Participating Loan (PPL)	175.0	0.0	0.0
TOTAL EQUITY + PPL	**240.9**	**141.1**	**104.7**

APPENDIX

IFRS 16: 9M 2022 Reconciliation

€ Million	9M 2022	Impact	9M 2022 Adjusted IFRS 16
EBITDA	-11.2	14.4	-25.6
Depreciation	-18.6	-13.3	-5.3
Financial charges	-15.4	-0.6	-14.9
Net profit	-47.2	0.5	-47.7
"Right of use" assets	52.9	52.9	0.0
Short-term lease liabilities	20.5	20.5	0.0
Long-term lease liabilities	35.2	35.2	0.0

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	9M 2022	9M 2021
(+) Revenues	Revenues and other income	2,815.1	2,121.0
(-) Operating expenses	Raw materials and consumables, employee benefit expense, other expenses, depreciation/amortisation and	-2,844.9	-2,268.7
= Operating income	Revenues - Operating expenses	-29.8	-147.8
(+) Depreciation/amortisation and impairment charges	Depreciation/amortisation and impairment charges	18.6	21.0
EBITDA	Operating income excluding depreciation and amortisation	-11.2	-126.7

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	9M 2022	9M 2021
(+) EBITDA	Operating income excluding depreciation and amortisation	-11.2	-126.7
(-) Amortisation and depreciation expenses	Depreciation/amortisation and impairment charges	-18.6	-21.0
EBIT	Operating income	-29.8	-147.8

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	9M 2022	9M 2021
(+) Cash and equivalents	Cash in hand, deposits held at call with banks, other short-term highly liquid investments with original	948.5	691.9
(+) Financial assets at fair value	Financial assets at fair value through profit and loss	0.0	0.0
(-) Financial debt	Short-term and long-term debt with credit entities	-844.4	-783.3
	Borrowings related to the assets classifies as held for sale	0.0	0.0
NET CASH	Cash and equivalents (+) Financial assets at fair value (-) financial debt	104.1	-91.4

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