TECNICAS REUNIDAS

Q1 2021 Results

13 May 2021

Non-audited accounts

MAIN HIGLIGHTS

- YTD backlog of €10.2 billion. Q1 2021 backlog of €8.3 billion
- YTD order intake of €1.9 billion
- Sales at €763 million
- Adjusted EBIT at €43 million, with a 5.7% margin. EBIT at €-50 million
- Adjusted Net Profit at €9 million. Net profit at €-61 million
- Net cash position of €63 million

Juan Lladó, Técnicas Reunidas Chairman, commented:

"In this first quarter of 2021, we continued to face a very challenging environment due to the multiple ways in which the Covid 19 pandemic keeps affecting our business. Managing Covid is much more complicated and costly than just enforcing social distance or hand sanitizer use. In our technically complex projects, it means adapting the full logistics, construction and start up chain to a myriad of impediments that slow progression and increase operating costs.

Despite Covid, we have strived to move ahead in all our jobs at the pace indicated by the client. Our track record is well known: it is in our DNA to deliver projects to our clients' satisfaction and to do it in permanent dialog with them. In this regard, we are proud to be close to successfully handing over several multibillion dollar projects, such as Fadhili, Al Zour or Ras Tanura. In contrast, despite all our efforts and costs, the Teesside project in the UK was an exception to this rule, something which we really regret.

We are still managing the company under a tough environment, but we strongly believe that there are firm grounds to be increasingly optimistic. Our positive outlook is warranted by what we are already experiencing on the commercial side of the business. The market has definitely changed. Over the last weeks, clients have requested us to present final bids for many projects and we expect to have positive news in the very near future, as we are said to be top ranked in projects for €7.5bn. These expectations for immediate awards are the reason for improving our 2021 guidance for order intake.

Last quarter we described 2021 as a year of transition, with continuous improvement leading to normalization by year end. We are now even more convinced about this outlook. We are best placed to enjoy the industry rebound, because our franchise has been relentless progressing in terms of client recognition of our engineering and technological capabilities. We expect a translation of this recognition into awards not only in our traditional business, but also in the energy transition area, where we are *moving ahead even faster than expected and where we are hopeful to be one of the key players in the next decades".*

Highlights € million	Q1 2021	Q1 2020	Variation	FY 2020
Backlog	8,347	10,915	*-24%*	8,347
Net Revenues	763	1,181	*-35%*	3,521
Adjusted EBIT (1)	43.2 *5.7%*	23.7 *2.0%*	*82%*	104.8 *3.0%*
Adjusted Net profit (1)	8.8 *1.2%*	8.7 *0.7%*	*1%*	57.9 *1.6%*
Net Profit (2)	-61.0 *-8.0%*	8.7 *0.7%*	*N.M.*	13.0 *0.4%*
Net Cash Position (1)	63	419	*-85%*	197

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

Q1 2021 RESULTS SUMMARY

Backlog at the end of Q1 2021 stood at €8.3 billion, without changes from the end of 2020. Including some projects that have already been awarded but have not yet been made public by our clients, total YTD backlog would escalate to €10.2 billion.

The main award added to the backlog in Q1 2021 was the new petrochemical plant for Sasa Polyester in Turkey. In addition, the company signed important engineering contracts and agreements for environmental and hydrogen developments.

Total sales reached €763 million in Q1 2021, with a 35% decrease versus Q1 2020. This reduction mainly reflects the reprogramming of some major projects during the year, requested by clients to adapt its investment levels to the Covid environment; as well as slower execution, due to the complexity of working under the different confinement regimes adopted in the countries where the company operates.

Adjusted EBIT stood at €43.2 million in Q1 2021. The adjusted EBIT margin of Q1 2021 was 5.7%, showing the healthy contribution of oil and gas projects in the backlog, as well as the effects of the efficiency and cost saving plans.

Adjustments to EBIT amounted to 93 million euros. These adjustments are extraordinary costs mostly due to the impact of the Covid pandemic on project execution. In this first quarter of 2021, the main extraordinary cost was related to the pandemic effect on the execution of the Teesside project in the UK, as it is explained in detail in the note.

Net cash position at the end of Q1 2021 stood at €63 million, impacted by payment terms and project milestone achievement.

OUTLOOK AND GUIDANCE FOR 2021

In 2021, we expect that the bulk of year sales will be provided by projects at more advanced stages, as they are executed at the optimal pace allowed by the pandemic evolution; while the reprogrammed projects keep progressing at the pace agreed with clients. Regarding margins, as the pandemic eases, the company expects to reflect in its accounts the higher embedded margins of the backlog, when execution starts to accelerate and economies of scale are achieved.

The company continues to forecast sales for 2021 in the range of €3.5 billion and an adjusted EBIT margin around 3%. Moreover, the company expects awards to surpass €4.0 billion, as the commercial environment keeps improving and the company is currently top ranked in projects for €7.5bn.

Webcast results details

Técnicas Reunidas will hold a conference call today at 16:00 CET. It can be accessed through the link in its homepage: http://www.tecnicasreunidas.es/en/

BACKLOG AND ORDER INTAKE

€ million	Q1 2021	Q1 2020	Variation	FY 2020
Backlog	8,347	10,915	*-24%*	8,347
Order intake	351	1,923	*-82%*	2,117

Backlog

Downstream		
Project	Country	Client
Exxon Mobil refinery	Singapore	Exxon Mobil
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
Talara refinery	Peru	Petroperu
FEED Tuban	Indonesia	Pertamina / Rosneft
Polyethylene plant	Canada	Nova Chemicals
Hassi Messaoud refinery	Algeria	Sonatrach
Environmental enhancement project	Chile	ENAP
PTA Complex	Turkey	SASA Polyester
Upstream		
Project	Country	Client
Marjan	Saudi Arabia	Saudi Aramco
Bu Hasa	United Arab Emirates	ADNOC Onshore
Das Island	United Arab Emirates	ADNOC LNG
Haradh	Saudi Arabia	Saudi Aramco
GT5	Kuwait	KNPC
Jazan IGCC*	Saudi Arabia	Saudi Aramco
Power		
Project	Country	Client
Sewa	United Arab Emirates	Sumitomo / GE EFS
Biomass plant	UK	MGT Teesside
Turów	Poland	Polska Grupa Energetyczna
Cogeneration plant	Canada	Suncor
Energy efficiency	Colombia	Termocandelaria

* Project in mechanical completion or carrying out services for the start up phase of the plant

At the end of Q1 2021, Técnicas Reunidas' backlog amounted to €8.3 billion, the same level reached at the end of 2020. Including some projects that have already been awarded but have not yet been publicly announced by our clients, total YTD backlog would escalate to €10.2 billion.

Downstream and Upstream projects comprised 95% of the total backlog, whereas the Power division accounted for 5%.

Order intake

Q1 2021 **order intake** was €351 million, and includes the Sasa project in Turkey. This is a strategic project announced in November 2020 with Sasa Polyester, formally signed in February 2021, for the execution of a new petrochemical plant in Adana, Turkey, for production of PTA (Purified Terephtalic Acid), a product which is expected to see significant additional investments in the medium term.

Q1 2021 RESULTS

€ million	Q1 2021	Q1 2020	Variation	FY 2020
Net Revenues	**762,5**	**1.180,7**	**-35,4%**	**3.520,6**
Other Revenues	2,2	0,6		10,2
Total Income	764,7	1.181,3	-35,3%	-0,4
Raw materials and consumables	-500,8	-926,3		-2.594,7
Personnel Costs	-129,6	-161,1		-561,9
Other operating costs	-175,3	-58,6		-299,8
EBITDA	**-41,0**	**35,4**	**-215,8%**	**84,7**
Amortisation	-8,9	-11,7		-43,2
EBIT	**-49,9**	**23,7**	**-310,3%**	**41,5**
Financial Income / expense	-7,0	-11,3		-20,9
Share in results obtained by associates	-0,1	0,0		-0,7
Profit before tax	**-57,0**	**12,4**	**N.M**	**19,9**
Income taxes	-4,0	-3,7		-6,9
Profit for the year from continuining operations	**-61,0**	**8,7**	**N.M**	**13,0**
Profit (loss) from discontinued operations	0,0	0,0		0,0
Profit for the year	**-61,0**	**8,7**	**N.M**	**13,0**
Non-controlling interests	1,4	-1,6		-1,9
Profit Attibutable to owners of the parent	**-59,6**	**7,1**	**N.M**	**11,0**

Revenues

Net revenues reached €762.5 million in Q1 2021, with a 35% decrease versus Q1 2020. This reduction reflects the reprogramming of some major projects in 2020, requested by clients to adapt their investments to the Covid environment; as well as slower execution, due to the complexity of working under the different confinement regimes adopted in the countries where the company operates.

€ million	Q1 2021	Weight	Q1 2020	Weight	Variation
Oil and gas	700.7	91.9%	1,080.6	91.5%	-35.2%
Power & Water	52.7	6.9%	75.7	6.4%	-30.4%
Other Industries	9.1	1.2%	24.4	2.1%	-62.8%
Net Revenues	762.5	100%	1,180.7	100%	-35.4%

Sales from the **oil and gas division** went down 35.2% and reached €700.7 million in Q1 2021. Oil and Gas revenues represented the vast majority of total sales (92%):

- Downstream: The projects with the highest contribution to sales were Duqm for DRPIC (Oman), Sitra for BAPCO (Bahrain), Ras Tanura for Saudi Aramco (Saudi Arabia) and the Singapore project for ExxonMobil.
- Upstream: The main contributors to sales were the Marjan and Haradh project for Saudi Aramco (Saudi Arabia); as well as the ADGAS project for ADNOC LNG and the Bu Hasa project for ADNOC ONSHORE, both in United Arab Emirates.

Revenues from the **power division** stood at €52.7 million in Q1 2021, decreasing by 30.4% year on year. Sales for this division were heavily impacted by the difficulties in execution experienced under the different waves of the Covid pandemic that affected the UK, as explained below.

Operating and net profit

€ million	Q1 2021	Q1 2020	Variation	FY 2020
EBIT	-49.9	23.7	-310.3%	41.5
Restructuring costs	2.2	0.0		16.0
Covid impact	-12.1	0.0		57.7
Asset disposal gains	0.0	0.0		-10.3
Teesside project	103.0	0.0		
Adjusted EBIT	43.2	23.7	82.0%	104.8
Margin	*5.7%*	*2.0%*		*3.0%*

Adjusted EBIT resulted in €43.2 million and adjusted margin was 5.7%. This figure shows the contribution of newer projects with healthy margins and the effects of the efficiency and cost saving plans. **EBIT**, without adjusting for extraordinary costs, was €-49.9 million.

The main adjustment applied to Q1 2021 EBIT was the provision for the costs associated to the contract termination of the Teesside project, which is closely linked to the severity of the Covid pandemic in the UK and the consequent project execution difficulties.

MGT Teesside Ltd decided to terminate the Contract awarded in August 2016 to the Consortium formed by Técnicas Reunidas, S.A and Samsung C&T for the design and construction of a 299 MW biomass cogeneration plant. The termination became effective in May 11th, 2021, when the project was handed over back to the client.

The Client mainly based its decision to terminate on the failure by the Contractor to timely complete the project and for reasons that occurred over a year ago. TR considers that the grounds alleged by the Client for the termination of the Contract do not, amongst other factors, recognize the implications of the Brexit and Covid environment.

Since the beginning of the Project, the construction of the Plant faced a highly complex environment. In 2019, the Project had to deal with the effect of Brexit on industrial relations and productivity in the Teesside region; and in 2020 and 2021 with the impact of the Covid19 pandemic.

However, as of the date of termination, the construction progress of the plant was 99.2%. The Liquid First Fire Milestone was achieved on the 23rd of April. First Fire with solid fuel was scheduled for the 8th of June; the base load at 80% power generation for 28th June 2021; the required installed capacity date for 3rd July 2021 and the taking over date for 4th December 2021.

TR has disputed the Client´s right to terminate the Contract and consequently informed the Client that it considers this belated termination as unlawful. TR has consequently commenced legal actions in accordance with the mechanism established in the EPC Contract, which also includes a period for mutual consultations with the aim of reaching an amicable settlement on this dispute within a maximum period of two months.

TR plans to exercise all possible legal mechanisms and remedies for the protection of its rights, including, without limitation, the resort to international arbitration before the International Chamber of Commerce with the seat of arbitration in London, as per the agreed contractual terms.

Finally, TR wants to emphasize that it is TR´s policy to always complete the construction of the awarded projects and guarantee the delivery of the plants to its clients. In this specific case, every effort was made to bring the project to a successful completion, even during such challenging execution environment.

In this regard, TR has taken all the necessary actions to preserve the safety and health of its workers, following the strict Health and Safety standards that it applies to all its Projects. Abiding by these best practices has been paramount in the project execution under the pandemic conditions in the Teesside region.

As an illustration of the severity of the pandemic in the UK, it should be highlighted that in January and February 2021, Covid incidence in United Kingdom exceeded the figure of 1.000 cases per 100.000 people (on a 14-day moving average), with nearly a total cumulative number of deaths of 50.000 over the first quarter of 2021. To counteract the pandemic severity, United Kingdom implemented some of the most stringent confinement, quarantine and travel restrictions in the world (e.g.: in that quarter, the UK was ranked among the top 5 countries in the world in terms of the severity of the restrictions, according to the Stringency Index calculated by Oxford University).

The accounting impact of this termination recorded in Q1 2021 has been €103 million at the EBIT level.

EBIT has also been adjusted for Covid costs, net of expected client reimbursements, that were incurred in projects outside of the UK. The adjustment in 1Q 2021, however, has a positive sign, for a total amount of €12 million. The reason for this sign is that, in the quarter, there were higher recoveries from clients than initially booked in the 2020 accounts, that more than compensated net costs incurred in Q1 2021.

Additionally, Q1 2021 EBIT adjustments include €2.2 million of restructuring costs, which are linked to the efficiency plan and that mainly consist of consultancy work and personnel restructuring costs.

€ million	Q1 2021	Q1 2020	Variation	FY 2020
Adjusted Net profit	8.8	8.7	1.1%	57.9
Net Profit*	-61.0	8.7	N.M.	13.0

*Net Profit from from continuing operations

Adjusted net profit reached €8.8 million, increasing by 1.1% from the same period last year. **Net profit** was €-61.0 million, compared to €8.7 million in Q1 2020. In addition to the operating income evolution, explained above, net profit also reflects the effect of financial results and taxes:

- Financial expense was €-7.0 million, including €-4.3 million of financial costs and €-2.7 million due to losses from transactions in foreign currency.
- Company income tax was €4.0 million despite operational losses since certain countries are delivering profits and booking the subsequent tax expense.

€ million	Q1 2021	Q1 2020	Variation	FY 2020
Net financial Income *	-4.3	-7.7	-44%	-14.3
Gains/losses in transactions in foreign currency	-2.7	-3.6	-25%	-6.6
Financial Income/Expense	-7.0	-11.3	-38%	-20.9

* Financial income less financial expenditure

Balance sheet

€ million	31 Mar 2021	31 Mar 2020	31 Dec 2020
Tangible and intangible assets	98.7	143.9	105.6
Investment in associates	2.6	3.4	2.7
Deferred tax assets	407.1	388.2	407.3
Other non-current assets	89.9	95.1	89.0
Non-current Assets	598.3	630.6	604.6
Inventories	8.8	5.4	8.9
Trade and other receivables	2,557.2	2,922.0	2,355.3
Other current assets	20.2	27.7	35.8
Cash and Financial assets	801.9	1,081.8	931.5
Current assets	3,388.1	4,036.9	3,331.5
TOTAL ASSETS	3,986.4	4,667.5	3,936.1
Equity	237.7	310.5	283.6
Non-current liabilities	514.1	265.5	452.9
Financial Debt	435.2	161.4	372.2
Other non-current liabilities	79.0	104.1	80.7
Long term provisions	128.3	33.7	37.2
Current liabilities	3,106.3	4,057.8	3,162.4
Financial Debt	303.6	501.6	362.9
Trade payable	2,707.8	3,348.1	2,678.1
Other current liabilities	94.8	208.1	121.4
Total liabilities	3,748.7	4,357.0	3,652.5
TOTAL EQUITY AND LIABILITIES	3,986.4	4,667.5	3,936.1

€ million	31 Mar 2021	31 Mar 2020	31 Dec 2020
Shareholders' funds + retained earnings	306.8	412.8	340.6
Treasury stock	-73.1	-73.5	-73.1
Hedging reserve	-5.6	-43.0	5.2
Interim dividends	0.0	0.0	0.0
Minority Interest	9.7	14.3	10.9
EQUITY	237.7	310.5	283.6

At the end of March 2021, equity of the company stood at €238 million, negatively impacted by the net profit for the quarter.

Net cash position stood at €63 million, decreasing from the end of December 2020. The net cash position reflects the evolution of working capital under the Covid situation, with clients slowing cash payments and project milestone achievement recognition.

€ million	31 Mar 2021	31 Mar 2020	31 Dec 2020
Current assets less cash and financial assets	2,586.2	2,955.2	2,400.0
Current liabilities less financial debt	-2,802.7	-3,556.3	-2,799.5
COMMERCIAL WORKING CAPITAL	-216.5	-601.1	-399.5
Financial assets	3.8	58.9	0.0
Cash and cash equivalents	798.1	1,022.9	931.5
Financial Debt	-738.7	-662.9	-735.0
NET CASH POSITION	63.2	418.8	196.5
NET CASH + COMMERCIAL WORKING CAPITAL	-153.3	-182.3	-203.0

APPENDIX

IFRS 16: Q1 2021 Reconciliation

€ Million	Q1 2021	Impact	FY 2020 Adjusted IFRS 16
EBITDA	-41.0	6.7	-47.7
Depreciation	8.9	6.3	-2.6
Financial charges	7.0	0.3	-6.7
Net profit	-61.0	0.1	-61.1
"Right of use" assets	16.3	16.3	0.0
Short-term lease liabilities	11.9	11.9	0.0
Long-term lease liabilities	5.6	5.6	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	Q1 2021	Q1 2020
(+) Revenues	Revenues and other income	764.7	1,181.3
(-) Operating expenses	Raw materials and consumables, employee benefit expense, other expenses, depreciation/amortisation	-814.6	-1,157.6
= Operating income	Revenues - Operating expenses	-49.9	23.7
(+) Depreciation/amortisation and impairment charges	Depreciation/amortisation and impairment charges	8.9	11.7
EBITDA	Operating income excluding depreciation and amortisation	-41.0	35.4

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	Q1 2021	Q1 2020
(+) EBITDA	Operating income excluding depreciation and amortisation	-41.0	35.4
(-) Amortisation and depreciation expenses	Depreciation/amortisation and impairment charges	-8.9	-11.7
EBIT	Operating income	-49.9	23.7

3. **Adjusted EBIT** and **Adjusted Net Profit** are the alternative performance metrics used by Management to measure the Group´s ability to generate profits considering only its operations, deducting extraordinary effects such as Covid, restructuring costs or non-core asset disposals; and their corresponding tax impact at the Adjusted net profit level. The cost of the Teesside project termination has also been included as an adjustment because of its extraordinary nature and its direct link to the Covid pandemic.

Concept	Definition	Q1 2021	Q1 2020
(+) EBIT	Operating income	-49,9	23,7
(+) Covid impact	Extraordinary effect related to Covid-19 pandemic	-12,1	0,0
	UK Teesside project	103,0	0,0
(+) Restructuring costs	Extraordinary expenses related to the business reorganization	2,2	0,0
(-) Non-core asset disposal	Capital gain from non-core asset disposal, net of tax	0,0	0,0
Adjusted EBIT	Operating income excluding Covid impact and restructuring costs	43,2	23,7

Concept	Definition	Q1 2021	Q1 2020
(+) Financial Income/expense	Difference between earnings before interest and taxes and earnings before taxes	-7.0	-11.3
(+) Share in results obtained by associates	Income received by associated	-0.1	0.0
(-) Income taxes	Income tax generated by the business	-4.0	-3.7
(-) Adjustments to taxes	Adjustments to taxes	-23.3	0.0
Adjusted net profit	Net profit excluding Covid impact, restructuring costs and adjustments to taxes	8.8	8.7

4. **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	Q1 2021	Q1 2020
(+) Cash and equivalents	Cash in hand, deposits held at call with banks, other short-term highly liquid investments with original	798.1	1,022.9
(+) Financial assets at fair value	Financial assets at fair value through profit and loss	3.8	58.9
(-) Financial debt	Short-term and long-term debt with credit entities	-738.7	-662.9
	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	63.2	418.8

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