TECNICAS REUNIDAS

9M 2023 Results

15 November 2023

Non-audited accounts

MAIN HIGHLIGHTS

- **Backlog** at €10.5 billion, which includes €4.1 billion of 9M 2023 **order intake** and does not include €2 billion related to the LOI received in the fourth quarter
- 9M 2023 **sales** at €3,246 million (+15% vs. H1 2022)
    - Q3 2023 sales at €1,074 million (+2% vs. Q2 2023)
- 9M 2023 **EBIT** at €120 million (EBIT margin at 3.7%)
    - Q3 2023 EBIT at €42 million (EBIT margin at 4.0%)
- 9M 2023 **net profit** at €41 million, that includes a non-cash item of €16 million
- **Net cash position** of €234 million at the end of September 2023, which does not include downpayments from Q3 2023 awards

Juan Lladó, Técnicas Reunidas' Executive Chairman, commented:

"Tecnicas Reunidas keeps, quarter after quarter, consolidating important achievements, as we had been predicting from the beginning of the year. Since the end of the second quarter, it is particularly significant that our commercial efforts materialized into more than 4 billion euros of new awards, which entails an overall year intake up to date of over 6 billion euros. The investment supercycle is definitely alive and growth opportunities for TR continue expanding.

We keep being focused and selective in our commercial strategy. We have landed jobs that fully fit our strategic requirements: the right jobs, the right customers and the right partners; very much focused on profitability and risk mitigation.

I am especially proud of Track's performance in low carbon technologies. We have just initiated the largest decarbonization project signed up to date in Europe in the steel industry. This places TR as a world-class engineering contractor in the energy transition sector.

Another important milestone achieved is the strategic agreement signed with Sinopec. This alliance will strengthen TR's bidding and execution capacity for future projects worldwide, thanks to Sinopec's excellent expertise as a key EPC player in the sector.

Last but not least, we are delivering excellent progress in our operations. We are consolidating quarterly revenues above one billion euros, while steadily improving our operating margins. We have already reached a 4% margin level and continue strengthening our balance sheet.

In sum, TR is doing its homework. I am comfortable to confirm that we have placed TR as a worldwide leader in this investment supercycle."

Highlights € million	9M 2023	9M 2022	Variation	2022
Backlog	10,470	10,139	*3%*	9,515
Net Revenues	3,246	2,810	*15%*	4,233
EBIT	119.8	-29.8	*N.M.*	8.7
Margin	*3.7%*	*-1.1%*		*0.2%*
Net Profit [2]	41.2	-47.2	*N.M.*	-34.5
Margin	*1.3%*	*-1.7%*		*-0.8%*
Net Cash Position [1]	234	104	*125%*	158

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

9M 2023 RESULTS SUMMARY

Backlog at the end of September 2023 stood at €10.5 billion. New orders since the beginning of the year reached €4.1 billion, including €2.3 billion booked in the Q3 2023. They mainly correspond to the MERAM project for Adnoc (€1.7 billion) and the Balance of Plant for QatarEnergy (€0.6 billion).

Additionally, our low carbon technologies division, Track, has signed in the last months significant engineering contracts for future project developments for major clients which cannot be disclosed yet.

Moreover, during the fourth quarter, we received a LOI (Letter Of Intent) for a major natural gas development for a key client in the Middle East, worth around 2 billion euros for TR, not included in the backlog figure as of September 30th. Altogether, then, TR has secured more than €6.0 billion of new projects since the beginning of the year.

Total sales reached €3,246 million in 9M 2023, with a 15% increase vs. 9M 2022, showing the strong recovery of operations. The company has moved back to quarterly figures above €1 billion and expects this sales level to be sustained in coming quarters.

EBIT in 9M 2023 stood at €119.8 million, representing and **EBIT margin** for 9M 2023 of 3.7%. Q3 2023 EBIT stood at €42.5 million with an EBIT margin of 4.0%. This figure also compares positively to the 3.7% level reported in the Q2 2023, highlighting the steady recovery of underlying margins quarter after quarter.

Net profit for the 9M 2023 period reached €41.2 million. This figure includes an extraordinary non-cash item of €-15.9 million. According to IFRS, conversion differences coming from subsidiaries are booked as negative or positive reserves in the consolidated equity until the day the subsidiary is liquidated. At that date, such reserves are to be reversed against the financial results of the year.

The **net cash position** at the end of 9M 2023 increased to the amount of €234 million, a level that compares with €104 million at the end of September 2022. The 9M 2023 figure does not include any downpayments from Q3 2023 new awards.

OUTLOOK AND GUIDANCE FOR 2023

The company has updated its guidance for 2023 and it currently forecasts:

- Awards will surpass €6 billion
- Sales will be above €4 billion.
- EBIT margin for H2 2023 will reach a level of 4% or above.

Webcast results details

Técnicas Reunidas will hold a conference call on 15th November at 16:00 CET. It can be accessed through the link in its homepage: http://www.tecnicasreunidas.es/en/

BACKLOG AND ORDER INTAKE

€ million	9M 2023	9M 2022	Variation	2022
Backlog	10,470	10,139	*3%*	9,515
Order intake	4,064	1,195	*240%*	1,686

Backlog

Refining		
Project	**Country**	**Client**
Sitra refinery	Bahrain	BAPCO
Duqm refinery	Oman	DRPIC
Environmental enhancement project	Chile	ENAP
Exxon Mobil refinery	Singapore	Exxon Mobil
Minatitlán refinery	Mexico	Pemex
Baku refinery	Azerbaijan	SOCAR
Hydrotreatment and hydrogen units	Argentina	YPF
Hassi Messaoud refinery	Algeria	Sonatrach
Natural Gas		
Project	**Country**	**Client**
Combined cycles	Mexico	CFE
Sewa	United Arab Emirates	Sumitomo / GE EFS
Cogeneration plant	Canada	Suncor
Energy efficiency	Colombia	Termocandelaria
North Field package 3	Qatar	Qatargas
North Field package 4	Qatar	Qatargas
Balance of Plant	Qatar	QatarEnergy
Marjan	Saudi Arabia	Saudi Aramco
Dalma	United Arab Emirates	ADNOC
Das Island	United Arab Emirates	ADNOC LNG
MERAM	United Arab Emirates	ADNOC
GT5	Kuwait	KNPC
Haradh	Saudi Arabia	Saudi Aramco
Regasification terminal	Germany	Hanseatic Energy Hub
Petrochemicals		
Project	**Country**	**Client**
PTA Complex	Turkey	SASA Polyester
Ceyhan	Turkey	Rönesans / Sonatrach
Petrochemical complex	Poland	Orlen
Ethylene plant	Belgium	INEOS
Fertilizer plant	Kazakhstan	Kazazot
Low Carbon Technologies		
Project	**Country**	**Client**
AMA	Netherlands	G.I.D Dynamics
2G biofuels plant	Spain	Cepsa
Electrification of complexes	Spain and Portugal	Repsol
Zero-carbon fertilizer plant	USA	Atlas Agro
Other		
Project	**Country**	**Client**
Bu Hasa	United Arab Emirates	ADNOC Onshore

With the addition of the recent awards in Q3 2023, the backlog has jumped back above 10 billion euros, reaching a level of €10.5 billion at the end of September 2023.

The split by division of the total backlog at that date is as follows: Refining comprised 27%, Natural gas accounted for 46%, Petrochemicals covered 22%, Low carbon technologies amounted to 5% and the rest, corresponding to Other projects, with low weight in total backlog.

The backlog includes the Hassi Messaoud Project. The JV between Samsung and Técnicas Reunidas continues exploring together with the client, Sonatrach, how to relaunch the project and potential alternatives.

Order intake

YTD 2023 order intake reached €4.1 billion. In the third quarter, the main projects awarded in our traditional business were:

- The Maximizing Ethane Recovery and Monetization (MERAM) project for ADNOC Gas. This important client awarded to a joint venture between Técnicas Reunidas and NPCC the complete development of the project, which focuses on the recovery of ethane from residue gas. New equipment and systems will be installed to expand the capacity of several existing units at various ADNOC Gas owned sites in the country, with modifications undertaken to accommodate the new production profile and various new pipelines built for feed gas and production in these units. The project home office will be based in Madrid.

  Total investment from the complete execution of the project amounts to $3.6 billion (with 50% of the total scope corresponding to TR). NPCC, TR's partner in this project and recently rebranded as NMDC Energy, is a major local EPC player, majority owned by the government of UAE.

- The Balance of Plant for QatarEnergy. The project consists of the development of facilities that will connect the southern part of Ras Laffan Industrial City to new LNG storage tanks and to the export facilities located in the northern part of the Ras Laffan Industrial City. The total value of the works is estimated at more than $560 million.

  This award strengthens Técnicas Reunidas' relationship with QatarEnergy as TR has been working on large–scale projects related to the expansion of the North Field since 2021. In fact, this new award is the fourth one from QatarEnergy in the last 24 months.

Besides the awards described above, since the beginning of 2023, our clients have awarded TR several other important projects in our traditional business:

- Hanseatic Energy Hub awarded in April a project for the construction of the regasification terminal in Hamburg (Germany) for liquefied gases to a consortium formed by Técnicas Reunidas, FCC and Entrade GMBH. The development of this facility will involve a total investment of close to €1 billion. The scope of Técnicas Reunidas amounts to €0.5 billion. Técnicas Reunidas will design the regasification terminal and the two storage tanks, each with a capacity of 240,000 cubic meters, and will undertake all the equipment and materials supply work for the project. The construction stage and assembly activities will be conducted by FCC and Entrade.

- Kazazot, the leading company in the fertilizer industry in Kazakhstan selected TR in January to develop a new ammonia, urea, nitric acid and ammonium nitrate complex. With a total investment of approximately $1 billion, the plant will be located in the southwestern side of Kazakhstan. Técnicas Reunidas will first carry out the engineering design under a FEED OBE contract, that will require about 200.000 engineering hours and that will be executed at its Madrid office. Once the FEED is completed, TR will undertake the full engineering, procurement and construction of the plant through an EPC contract.

Furthermore, the company signed several important contracts in the low carbon technologies segment:

- Development of Cepsa's second-generation biofuels plant in Huelva, the largest project of this kind in southern Europe. Total investment of this project will amount to 1 billion euros. Técnicas Reunidas will develop the engineering and will also manage the procurement and the construction of the plant. TR will assign a team of more than 180 expert professionals and will dedicate some 500,000 hours of highly qualified personnel. With this contract, TR strengthens its position in the field of the circular economy. The new plant will employ agricultural waste and used cooking oils as feedstock. It will annually produce 500,000 tons of renewable diesel and SAF (Sustainable Aviation Fuel) to contribute to the decarbonization of air, maritime and land transport. This project is part of the strategy implemented by Técnicas Reunidas to increase the number of service contracts.
- Electrification of two Repsol industrial complexes: in Sines, Portugal; and in Tarragona, Spain. The project will reduce energy consumption and carbon emissions at these two large chemical facilities, where TR will replace ethylene and propylene compressor turbines with electric motors. TR will develop the detailed engineering, the procurement management and the supply of equipment and materials.
- FEED for the development of a zero-carbon nitrogen fertilizer plant in USA for the fertilizer company Atlas Agro. The plant will use TR's proprietary technology for the main process units. Once the FEED is completed, the project is fully sanctioned and financing is closed by the client, the EPC would be managed on an Open Book basis. The potential EPC investment would amount to around €1 billion. It will be the world's first full scale zero-carbon nitrogen plant, using only air, water and zero-carbon electricity as raw materials.
- MOU with IFC, a member of The World Bank Group, aimed at accelerating the decarbonization of Eastern European economies. The collaboration seeks to develop projects that facilitate the transition to low-carbon technologies and promote the decarbonization of carbon intensive industries. The focus industries include steel, cement, aluminum, chemicals, glass, and transportation. The solutions to be implemented encompass various low carbon technologies along the hydrogen value chain, including green ammonia and e-methanol, as well as

biofuels, bio chemicals and biomethane and carbon capture for large carbon emitters.

- In addition, Track has achieved significant awards in the energy transition field for clients that cannot yet be disclosed:
    - The FEED and EPCm for a **major decarbonization project** for a relevant player in the steel sector. This is the major decarbonization investment in Europe up to date, consisting on the decarbonization of 4 facilities located in 3 different countries.
    - Engineering services for **2 green ammonia projects** in 2 different locations in the Iberian Peninsula.
    - An EPC for an **E-FUELS** demo unit in Spain.

Project	Client	Contract type	Amount (€bn)	Announcement date
Fertilizer plant	Kazazot	FEED OBE	1.2	January 2023
Regasification terminal	Hanseatic Energy Hub	EPC	0.5	April 2023
MERAM	Adnoc	EPC	1.7	August 2023
Balance of Plant	QatarEnergy	EPC	0.6	August 2023
Track projects	Several clients	Services	0.1	2023

- Moreover, During the fourth quarter, we received the LOI (Letter Of Intent) of a key natural gas development for a major client in Middle East worth around 2 billion euros.

9M 2023 RESULTS

€ million	9M 2023	9M 2022	Variation	2022
Net Revenues	**3,245.5**	**2,810.4**	**15%**	**4,233.4**
Other Revenues	8.9	4.7		14.9
Total Income	3,254.4	2,815.1		4,248.2
Raw materials and consumables	-2,425.7	-2,169.3		-3,352.7
Personnel Costs	-405.6	-359.5		-480.9
Other operating costs	-283.3	-297.5		-380.0
EBITDA	**139.8**	**-11.2**	**N.M.**	**34.6**
Amortisation	-20.0	-18.6		-25.9
EBIT	**119.8**	**-29.8**	**N.M.**	**8.7**
Financial Income / expense	-43.9	-15.4		-27.2
Share in results obtained by associates	-0.5	-0.1		-0.1
Profit before tax	**75.4**	**-45.3**	**N.M.**	**-18.5**
Income taxes	-34.3	-1.9		-15.9
Profit for the year from continuining operations	**41.2**	**-47.2**	**N.M.**	**-34.5**
Profit (loss) from discontinued operations	0.0	0.0		0.0
Profit for the year	**41.2**	**-47.2**	**N.M.**	**-34.5**
Non-controlling interests	1.4	-1.4		-2.6
Profit Attibutable to owners of the parent	**42.5**	**-48.6**	**N.M.**	**-37.1**

Revenues

Net revenues reached €3,245.5 million in 9M 2023, with a 15% increase versus 9M 2022 that highlights the strong recovery of operations. The company has progressively moved back to quarterly figures above €1 billion and expects this sales level to be sustained in coming quarters.

The net revenues breakdown is as follows:

€ million	9M 2023	*Weight*	Variation	9M 2022	*Weight*	2022	*Weight*
Refining	750.4	*23.1%*	-21.4%	954.4	*34.0%*	1,425.9	*33.7%*
Natural gas	1,815.4	*55.9%*	76.3%	1,029.5	*36.6%*	1,632.1	*38.6%*
Petrochemicals	495.9	*15.3%*	-18.7%	609.7	*21.7%*	842.6	*19.9%*
Low carbon technologies	24.9	*0.8%*	1022.5%	2.2	*0.1%*	5.7	*0.1%*
Other	158.9	*4.9%*	-25.9%	214.5	*7.6%*	327.0	*7.7%*
Net Revenues	**3,245.5**	***100%***	15.5%	**2,810.4**	***100%***	**4,233.4**	***100%***

- Sales from the **Refining** division reached €750.4 million in 9M 2023. Refining revenues represented 23% of total sales. The most relevant projects in this division that contributed to sales are the refinery expansion for ExxonMobil in Singapore and the modernization of the BAPCO refinery.

- Sales from the **Natural gas** division reached €1,815.4 million in 9M 2023 and represented 56% of total sales. The most relevant projects in this division that contributed to sales are Marjan for Saudi Aramco, the North Field packages 3 and 4 for Qatargas, Dalma for ADNOC and the 4 combined cycles for CFE.
- Sales from the **Petrochemicals** division reached €495.9 million in 9M 2023. Petrochemicals revenues represented 15% of total sales. The most relevant projects in this division that contributed to sales are the petrochemical complexes for Orlen and Sasa, as well as the ethylene plant for INEOS.
- Sales from the **Low carbon technologies** division reached €24.9 million in 9M 2023, representing 1% of total sales.
- Sales from the **Other** division reached €158.9 million in 9M 2023. Its revenues represented 5% of total sales.

Operating and net profit

€ million	9M 2023	9M 2022	Variation	2022
Operating profit from divisions	193.0	38.5	401%	101.4
Costs not assigned to divisions	-73.2	-68.3		-92.7
EBIT	119.8	-29.8	N.M.	8.7
Margin	*3.7%*	*-1.1%*		*0.2%*
Net Profit*	41.2	-47.2	N.M.	-34.5
Margin	*1.3%*	*-1.7%*		*-0.8%*

*Net Profit from from continuining operations

9M 2023 **EBIT** stood at €119.8 million with an **EBIT margin** over sales that improved to 3.7% from the negative margin reported in the same period of last year.

Q3 2023 EBIT stood at €42.5 million with an EBIT margin of 4.0%. This figure also positively compares to the 3.7% level reported in the Q2 2023, highlighting the steady recovery of underlying margins quarter after quarter.

Net profit in 9M 2023 was €41.2 million, which compares to €-47.2 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 €-43.9 million, including €-24.6 million of financial costs and €-19.3 million due to losses from transactions in foreign currency. The €-43.9 million figure includes €-6.7 million of hyperinflation adjustment in Argentina and Turkey (considered as hyperinflation economy since the start of 2022) and €-15.9 million from an extraordinary non-cash item. According to IFRS, conversion differences coming from subsidiaries are booked as negative or positive reserves in the consolidated equity until the day the subsidiary is liquidated. At that date, such reserves are to be reversed against the financial results of the year. Without these adjustments, financial expense would have been €-22.1 million.

- Company income tax was €-34.3 million.

€ million	9M 2023	9M 2022	Variation	2022
Net financial Income *	-24.6	-17.8	38%	-29.4
Gains/losses in transactions in foreign currency	-19.3	2.4	-911%	2.3
Financial Income/Expense	**-43.9**	**-15.4**	**184%**	**-27.2**

* Financial income less financial expenditure

Balance sheet

€ million	30 Sep 2023	30 Sep 2022	31 Dec 2022
Tangible and intangible assets	112.1	122.7	107.8
Investment in associates	1.1	1.6	1.5
Deferred tax assets	390.5	431.8	409.4
Other non-current assets	92.5	19.7	96.7
Non-current Assets	**596.1**	**575.8**	**615.4**
Inventories	7.5	8.2	7.7
Trade and other receivables	3,061.8	3,319.2	3,174.6
Other current assets	10.8	65.5	59.0
Cash and Financial assets	1,003.0	948.5	959.7
Current assets	**4,083.2**	**4,341.3**	**4,200.9**
TOTAL ASSETS	**4,679.3**	**4,917.1**	**4,816.4**
Equity	**297.1**	**65.9**	**83.0**
Profit Participating Loan (PPL)	175.0	175.0	175.0
Total Equity (Equity + PPL)	**472.1**	**240.9**	**258.0**
Non-current liabilities	**558.8**	**769.5**	**699.9**
Financial Debt	443.6	645.8	600.2
Other non-current liabilities	115.2	123.7	99.7
Long term provisions	**82.1**	**94.1**	**82.1**
Current liabilities	**3,566.3**	**3,812.6**	**3,776.4**
Financial Debt	325.6	198.6	201.9
Trade payable	3,191.9	3,489.3	3,487.5
Other current liabilities	48.9	124.7	87.0
Total liabilities	**4,382.2**	**4,851.2**	**4,733.3**
TOTAL EQUITY AND LIABILITIES	**4,679.3**	**4,917.1**	**4,816.4**

The **net cash position** at the end of 9M 2023 increased to the amount of €234 million, a level that compares with €104 million at the end of September 2022. The 9M 2023 figure does not include any downpayments from Q3 2023 new awards.

€ million	30 Sep 2023	30 Sep 2022	31 Dec 2022
Current assets less cash and financial assets	3,080.2	3,392.9	3,241.2
Current liabilities less financial debt	-3,240.7	-3,614.1	-3,574.5
COMMERCIAL WORKING CAPITAL*	-160.6	-221.2	-333.3
Financial assets	0.0	0.0	0.0
Cash and cash equivalents (1)	1,003.0	948.5	959.7
Financial Debt (2)	-769.2	-844.4	-802.1
NET CASH POSITION	233.8	104.1	157.5
NET CASH + COMMERCIAL WORKING CAPITAL	73.3	-117.1	-175.7

*Calculated as "Current assets less cash and financial assets" - "Current liabilities less financial debt"
(1) Includes PPL
(2) Does not include PPL

At the end of September 2023, total equity of the company stood at €472.1 million. This figure includes the €175 million PPL from SEPI (booked in 2022) and the effect of the capital increase completed in Q2 2023. Total equity has almost doubled in the last 12 months, greatly strengthening the financial profile of the company.

€ million	30 Sep 2023	30 Sep 2022	31 Dec 2022
Shareholders' funds + retained earnings	368.3	163.1	157.9
Treasury stock	-73.9	-73.2	-72.9
Hedging reserve	-8.2	-35.3	-14.2
Interim dividends	0.0	0.0	0.0
Minority Interest	10.8	11.3	12.2
Profit Participating Loan (PPL)	175.0	175.0	175.0
TOTAL EQUITY + PPL	472.1	240.9	258.0

APPENDIX

IFRS 16: 9M 2023 Reconciliation

€ Million	9M 2023	Impact	9M 2023 Adjusted IFRS 16
EBITDA	139.8	-16.5	123.3
Depreciation	-20.0	15.8	-4.2
Financial charges	-28.8	1.1	-27.6
Net profit	75.4	0.5	75.9
"Right of use" assets	47.7	-47.7	0.0
Short-term lease liabilities	13.2	-13.2	0.0
Long-term lease liabilities	36.0	-36.0	0.0

Alternative Performance Measures (“APMs”)

1. EBIT^{APM}
   Earnings before interest and taxes (EBIT) is an indicator of the Group’s operating result without taking into account financial and tax results. It is used as a complement to EBITDA in comparison with other companies in the sector which have a low amount of assets. EBIT^{APM} is equivalent to “operating profit”.

   The table below provides a reconciliation of our revenue to EBIT^{APM}:

€ million	9M 2023	9M 2022
EBITDA	139.8	-11.2
Amortisation	-20.0	-18.6
EBIT^{APM} (unaudited)	**119.8**	**-29.8**

2. EBIT Margin^{APM}
   EBIT Margin^{APM} corresponds to EBIT^{APM} over revenue. EBIT Margin^{APM} is an indicator of the Group’s operating result without taking into account financial and tax results. The Group uses the EBIT Margin^{APM} as a complement to EBITDA in comparison with other companies in the sector which have a reduced amount of assets.

   The table below provides a reconciliation of our revenue to EBIT Margin^{APM}:

€ million	9M 2023	9M 2022
EBIT^APM	119.8	-29.8
Net revenues	3,254.4	2,815.1
EBIT Margin^APM	**3.7%**	**-1.1%**

3. **Leverage Ratio^APM**

Leverage Ratio^APM is the alternative performance measure used by the management to monitor the Company's financial leverage. It is calculated as borrowings (excluding borrowings associated with rights of use of leased assets and participating loans) divided by equity. Equity is the amount shown in the Financial Statements.

€ million	9M 2023	2022
Borrowings	769.2	802.1
Equity	297.1	83.0
Leverage Ratio^APM (unaudited)	**2.59**	**9.66**

4. **Net Cash^APM**

Net cash^APM is the alternative performance measure used by the management to measure the Group's level of net liquidity for the purpose of complying with covenants related to financial debt. It is calculated as the difference between 'cash and cash equivalents' plus 'financial assets at fair value through profit or loss' minus 'borrowings' (excluding 'borrowings associated with rights of use of leased assets' and 'participating loans'). Cash and cash equivalents include cash on hand, demand deposits in banks and other highly liquid short-term investments originally maturing within three months or less.

€ million	9M 2023	2022
Cash and equivalents	1,003.0	959.7
Financial assets at fair value	0.0	0.0
Borrowings	769.2	802.1
Net cash^APM (unaudited)	**233.8**	**157.5**

Net cash^APM (unaudited) as cash and cash equivalents, plus financial assets at fair value,less borrowings

5. Average Variable Interest Rate^{APM}

Average Variable Interest Rate^{APM} is the result of multiplying on a weighted basis interest rate, the margin over EURIBOR associated with each financing instrument (whether bonds or bank financing) by the total contracted amount of such instruments, dividing the resulting amount by the total sum of the contracted amount of all financing instruments. The Group uses the Average Variable Interest Rate^{APM} as an indicator of the Group's average cost of its variable debt.

As of September 30, 2023, the Group's Average Variable Interest Rate^{APM} was 2.06% (2.19% as of December 31, 2022).

6. Backlog^{APM}

Backlog^{APM} is calculated by the Group as the estimated amount of contracted revenue that the Group expects will result in future revenue from existing contracts adjusted to reflect (i) changes in the scope of the contract as a result of change orders agreed with the client in projects developed under a Lump Sum Turnkey Contract (as defined herein) or estimation adjustments in projects developed under a Front End Engineering Design and Open Book Estimate scheme in which the Group carries out a detailed analysis of the project, from the definition of the main processes and identification and selection of technologies to the definition and dimension of the auxiliary services and logistical needs of the plant, and (ii) fluctuations in the exchange rate of currencies other than the euro applicable to the projects. The Backlog^{APM} calculation also includes the estimated amount of revenue from contracts that have been signed but for which the scope of services and therefore the price has not yet been determined. In this case the Group makes a downward revenue estimation and includes it as an item in the Backlog^{APM}. See "Business—Backlog^{APM} and Pipeline".

The Group considers its Backlog^{APM} a relevant indicator of the pace of development of its activities and monitors it to plan for its needs and to adjust its expectations, financial budgets and forecasts. The volume and timing of work execution in the Group's Backlog^{APM} are relevant for the purpose of anticipating the Group's operational and financing needs and its ability to execute its Backlog^{APM} is dependent on its ability to meet such operational and financing needs. See "Business - Backlog^{APM} and Pipeline".

On the foregoing basis, the Backlog^{APM} as of September 30, 2023 amounts to €10,470.4 million (€9,514.8 million as of December 31, 2022).

Disclaimer

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This document also contains, in addition to the financial information prepared in accordance with International Financial Reporting Standards ("IFRS") and derived from our financial statements, alternative performance measures ("APMs") as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on 5 October 2015 (ESMA/2015/1415en) and other non-IFRS measures ("Non-IFRS Measures"). These financial measures that qualify as APMs and non-IFRS measures have been calculated with information from the Company; however those financial measures are not defined or detailed in the applicable financial reporting framework nor have been audited or reviewed by our auditors.

The Company uses these APMs and non-IFRS measures when planning, monitoring and evaluating its performance. The Company considers these APMs and non-IFRS measures to be useful metrics for its management and investors to compare financial measure of historical or future financial performance, financial position, or cash flows. Nonetheless, these APMs and non-IFRS measures should be considered supplemental information to, and are not meant to substitute IFRS measures. Furthermore, companies in the Company's industry and others may calculate or use APMs and non-IFRS measures differently, thus making them less useful for comparison purposes.

For further details on APMs and Non-IFRS Measures, including its definition and explanation, please see the section on "Alternative performance measures" (page

116 et seq.) of the integrated annual report for the fiscal year ended in 31 December 2022 of the Company, published on 28th February 2023. Additionally, for further details on the calculation and reconciliation between APMs and Non-IFRS Measures and any applicable management indicators and the financial data of the nine-month period ended 30 September 2023 please see the section on "Alternative performance measures" of 9M 2023 results report document, published on 15th November 2023. All the documents are available on the Company's website (www.tecnicasreunidas.es).