Q1 2022 Results

13 May 2022

Non-audited accounts

MAIN HIGLIGHTS

- Backlog YTD[1] of €10.9 billion
- YTD order intake of €1.2 billion
- Sales at €773 million, 10% higher than in previous quarter
- EBIT at €7 million, with a 0.9% margin.
- Adjusted EBIT at €13 million, with a 1.7% margin
- Net profit at €1 million
- Net cash position of €61 million

Juan Lladó, Técnicas Reunidas Chairman, commented:

"We are slowly reverting back to normality. Sales and capacity utilization are increasing, and operating profits and margins are moving back to positive territory, despite having to manage new challenges related to events in Ukraine and China.

The market is in a serious investment mood, that has translated into great news for us in the commercial front. Since the beginning of the year, we have secured three major jobs that perfectly fit with the strategic objectives, namely: focusing on projects consistent with energy transition, construction risk reduction, client diversification and, extremely important, becoming a reference of technological excellence based in Spain. Let me highlight their most interesting features:

- *First, we have been awarded four combined cycle plants at different sites in Mexico for CFE, with turbine technologies by Mitsubishi and Siemens. By working with these two suppliers, plus our previous work with GE, we have shown that we have the trust of the three leading cutting edge technology providers of the sector.*
- *Second, we have been awarded the second major job in a row for Qatar Gas, a client with a huge investment program for the future, that is highly strategic for us.*
- *Last, but by no means least, we are very proud of having been contracted by Ineos for the execution of its multibillion ethylene project in Antwerp, the biggest chemical investment in Europe in decades. The key for this award is the size and excellence of our engineering, that will allow us to provide up to 700 professionals at the project peak, working on the design and construction management of one of the most complex plants in our portfolio.*

I should also highlight in the quarter the decision to gather all our capabilities into a separate unit that will manage energy transition projects. This confirms that energy transition is a very important opportunity for TR.

[1] YTD: Year To Date

Summing up, despite new challenges, we are moving on the right direction. Pursuing with discipline our strategy will lead to normalization of sales and profits. Again, customer response and quality of awards confirm that clients consider us a top world engineering company."

Highlights € million	Q1 2022	Q1 2021	Variation	2021
Backlog	10,378	8,347	*24%*	10,519
YTD Backlog*	10,948	10,200	*7%*	11,114
Net Revenues	773	763	*1%*	2,808
EBIT	7.1	-49.9	*N.M.*	-156.6
Margin	*0.9%*	*-6.5%*		*-5.6%*
Net Profit [2]	1.2	-61.0	*N.M.*	-192.1
Margin	*0.2%*	*-8.0%*		*-6.8%*
Net Cash Position [1]	61	63	*-4%*	-76

[1] Figures classified as Alternative Performance Metrics ("APMs"). See appendix.
[2] Profit for the year from continuining operations
* Includes projects awarded after the end of the period

Q1 2022 RESULTS SUMMARY

YTD Backlog, that includes all projects that have been awarded in 2022 YTD, amounts to €10.9 billion. New orders since the start of 2022 represent €1.2 billion showing the recovery of investments after their slowdown during the pandemic crisis. Awards are the demonstration of the trust of new and old clients in TR to deliver their most strategic projects. Backlog at the end of Q1 2022 stood at €10.4 billion.

The main awards added to YTD backlog were: the four combined cycles in Mexico for CFE; the 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.

Total sales reached €773 million in Q1 2022, with a 1% increase vs. Q1 2021; and a 10% increase in comparison to last quarter of 2021. This is the first quarter since the Covid outbreak that shows a recovery in sales both in yearly and quarterly basis at the same time. This recovery will be more visible in the second half of 2022 as reprogrammed projects will be contributing more to sales, some of the last year awards will enter more advanced stages and the achievement of milestones in projects that are currently under execution will reach a higher pace. Nevertheless, TR is monitoring very closely current raw material and supply chain environment as events in Ukraine and confinements in China are increasing the disruptions in the sector.

EBIT in Q1 2022 stood at €7.1 million, representing an EBIT margin of 0.9%. **Adjusted EBIT** stood at €12.8 million, which implies an adjusted EBIT margin of 1.7%.

Adjustments to EBIT amounted to €5.7 million. They are net extraordinary costs and provisions due to the impact of the Covid pandemic on project execution that are not expected to be covered by clients. This quarter they mainly reflect the effect of previously incurred Covid costs that are currently accrued in the P&L account, as the percentage of completion increases for the projects affected.

The **net cash position** at the end of Q1 2022 stood at €61 million. This amount includes €175 million related to the Profit Participating Loan (PPL) received in February 2022. The progress of net cash still reflects the negative effects of the pandemic and the evolution of working capital during the Covid period.

Net profit at the end of Q1 2022 stood at €1.2 million.

OUTLOOK AND GUIDANCE FOR 2022

The company currently forecasts sales for 2022 around €4.0 billion and EBIT margin for 2022 above 2%. In addition, the company expects awards to be around €4.0 billion.

Webcast results details

Técnicas Reunidas will hold a conference call on 13th May at 13:00 CET. It can be accessed through the link in its homepage: http://www.tecnicasreunidas.es/en/

BACKLOG AND ORDER INTAKE

€ million	Q1 2022	Q1 2021	Variation	2021
Backlog	10,378	8,347	*24%*	10,519
Order intake	595	600	*-1%*	4,165

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
Petrochemical complex	Poland	Orlen
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
North Field package 3	Qatar	Qatargas
Hydrotreatment and hydrogen units	Argentina	YPF
Power		
Project	**Country**	**Client**
Sewa	United Arab Emirates	Sumitomo / GE EFS
Cogeneration plant	Canada	Suncor
Energy efficiency	Colombia	Termocandelaria
Combined cycles	Mexico	CFE

At the end of Q1 2022, Técnicas Reunidas' backlog amounted to €10.4 billion, 24% higher than the level reached at Q1 2021. Including all projects that have already been awarded after Q1 2022 closing, total YTD backlog escalates to €10.9 billion.

Downstream and Upstream projects comprised 93% of the total backlog, whereas the Power division accounted for 7%.

Order intake

Q1 2022 **order intake** reached €1.2 billion, including the projects that were awarded after the closing of the period. The main projects awarded 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.

Q1 2022 RESULTS

€ million	Q1 2022	Q1 2021	Variation	2021
Net Revenues	**772.8**	**762.5**	**1.3%**	**2,807.6**
Other Revenues	2.2	2.2		19.6
Total Income	775.0	764.7	1.3%	2,827.2
Raw materials and consumables	-564.1	-500.8		-2,123.5
Personnel Costs	-124.0	-129.6		-475.7
Other operating costs	-73.8	-175.3		-357.2
EBITDA	**13.0**	**-41.0**	**N.M**	**-129.2**
Amortisation	-5.9	-8.9		-27.4
EBIT	**7.1**	**-49.9**	**N.M**	**-156.6**
Financial Income / expense	-5.3	-7.0		-22.1
Share in results obtained by associates	0.0	-0.1		-1.1
Profit before tax	**1.7**	**-57.0**	**N.M**	**-179.8**
Income taxes	-0.5	-4.0		-12.3
Profit for the year from continuining operations	**1.2**	**-61.0**	**N.M**	**-192.1**
Profit (loss) from discontinued operations	0.0	0.0		0.0
Profit for the year	**1.2**	**-61.0**	**N.M**	**-192.1**
Non-controlling interests	-0.2	1.4		1.7
Profit Attibutable to owners of the parent	**1.1**	**-59.6**	**N.M**	**-190.4**

Revenues

Net revenues reached €772.8 million in Q1 2022, with a 1% increase versus Q1 2021. Compared to the figure in the last quarter of 2021, it represents a 10% increase, showing the progressive recovery of operations that were heavily impacted by Covid in the last 2 years.

€ million	Q1 2022	Weight	Q1 2021	Weight	Variation
Oil and gas	717.2	92.8%	700.7	91.9%	2.4%
Power & Water	35.7	4.6%	52.7	6.9%	-32.3%
Other Industries	19.9	2.6%	9.1	1.2%	119.5%
Net Revenues	**772.8**	**100%**	**762.5**	**100%**	**1.3%**

Sales from the **oil and gas division** went up 2.4% and reached €717.2 million in Q1 2022. Oil and Gas revenues represented most of total sales (93%):

- 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 complex for Sasa Polyester in Turkey.
- Upstream: The main contributors to sales were the ADGAS project for ADNOC LNG and the Bu Hasa project for ADNOC ONSHORE, both in United Arab

Emirates; as well as the Haradh and Marjan projects for Saudi Aramco in Saudi Arabia.

Revenues from the **power division** stood at €35.7 million in Q1 2022, decreasing 32.3% versus the same period of last year.

Operating and net profit

€ million	Q1 2022	Q1 2021	Variation	2021
EBIT	7.1	-49.9	N.M	-156.6
Margin	*0.9%*	*-6.5%*		*-5.6%*
Covid impact	5.7	93.1	-93.9%	216.2
Extraordinary effect related to Covid-19 pandemic	*5.7*	*-12.1*		*116.0*
UK Teesside project	*0.0*	*103.0*		*98.0*
Restructuring costs	*0.0*	*2.2*		*2.2*
Asset disposal gains	0.0	0.0		-12.0
Adjusted EBIT	12.8	43.2	-70.3%	47.6
Margin	*1.7%*	*5.7%*		*1.7%*

EBIT in Q1 2022 stood at €7.1 million. **Adjusted EBIT** was €12.8 million in Q1 2022, with an adjusted margin of 1.7%. The main adjustments applied to Q1 2022 EBIT were Covid related costs incurred in previous quarters, that are currently accrued in the P&L account, as the percentage of completion increases for the projects affected.

€ million	Q1 2022	Q1 2021	Variation	2021
Adjusted Net profit	5.8	8.8	-34%	-31.2
Net Profit*	1.2	-61.0	N.M.	-192.1

*Net Profit from from continuining operations

Net profit in Q1 2022 was €1.2 million, which compares to €-61.0 million in the same period of last year. **Adjusted net profit** in Q1 2022 reached €5.8 million. In addition to the operating income evolution, explained above, net profit also reflects the effect of financial results and taxes:

- Financial expense was €-5.3 million, including €-4.9 million of financial costs and €-0.4 million due to losses from transactions in foreign currency.
- Company income tax was €0.5 million.

€ million	Q1 2022	Q1 2021	Variation	2021
Net financial Income *	-4.9	-4.3	14%	-16.9
Gains/losses in transactions in foreign currency	-0.4	-2.7	-84%	-5.1
Financial Income/Expense	-5.3	-7.0	-24%	-22.1

* Financial income less financial expenditure

Balance sheet

€ million	31 Mar 2022	31 Mar 2021	31 Dec 2021
Tangible and intangible assets	114.5	98.7	113.1
Investment in associates	1.6	2.6	1.6
Deferred tax assets	411.1	407.1	410.9
Other non-current assets	86.2	89.9	83.0
Non-current Assets	613.4	598.3	608.6
Inventories	8.5	8.8	8.6
Trade and other receivables	2,819.7	2,557.2	2,568.0
Other current assets	33.1	20.2	31.3
Cash and Financial assets	958.1	801.9	666.9
Current assets	3,819.3	3,388.1	3,274.8
TOTAL ASSETS	4,432.7	3,986.4	3,883.4
Equity	122.4	237.7	104.7
Profit Participating Loan (PPL)	175.0	0.0	0.0
Total Equity (Equity + PPL)	297.4	237.7	104.7
Non-current liabilities	760.8	514.1	570.7
Financial Debt	660.0	435.2	475.5
Other non-current liabilities	100.7	79.0	95.2
Long term provisions	36.3	128.3	70.3
Current liabilities	3,338.3	3,106.3	3,137.8
Financial Debt	237.5	303.6	267.4
Trade payable	2,959.9	2,707.8	2,775.1
Other current liabilities	140.8	94.8	95.4
Total liabilities	4,310.3	3,748.7	3,778.8
TOTAL EQUITY AND LIABILITIES	4,432.7	3,986.4	3,883.4

Net cash stood at €61.0 million at the end of Q1 2022. This amount includes €175 million related to the Profit Participating Loan (PPL) received in February 2022 from SEPI. The progress of net cash still reflects the negative effects of the pandemic and the evolution of working capital during the Covid period. On the one hand, the slow pace of execution of projects due to the operational constraints produced by Covid delayed the achievement of milestones needed to invoice our clients, increasing the volume of accounts receivable. On the other, slow resolution of client negotiations, also delayed the conversion of this working capital into cash.

€ million	31 Mar 2022	31 Mar 2021	31 Dec 2021
Current assets less cash and financial assets	2,861.2	2,586.2	2,607.9
Current liabilities less financial debt	-3,100.7	-2,802.7	-2,870.5
COMMERCIAL WORKING CAPITAL* (1)	-239.5	-216.5	-262.5
Financial assets	0.0	3.8	0.0
Cash and cash equivalents	958.1	798.1	666.9
Financial Debt	-897.6	-738.7	-742.9
NET CASH POSITION (1)	60.5	63.2	-76.0
NET CASH + COMMERCIAL WORKING CAPITAL (1)	-179.0	-153.3	-338.5

*Calculated as "Current assets less cash and financial assets" - "Current liabilities less financial debt"
(1) Includes PPL at 31 March 2022

At the end of March 2022, total equity of the company stood at €297.4 million. This figure includes the €175 million of PPL from SEPI.

€ million	31 Mar 2022	31 Mar 2021	31 Dec 2021
Shareholders' funds + retained earnings	189.4	306.8	171.0
Treasury stock	-72.8	-73.1	-73.3
Hedging reserve	-3.9	-5.6	-2.6
Interim dividends	0.0	0.0	0.0
Minority Interest	9.8	9.7	9.6
Profit Participating Loan (PPL)	175.0	0.0	0.0
TOTAL EQUITY + PPL	297.4	237.7	104.7

APPENDIX

IFRS 16: Q1 2022 Reconciliation

€ Million	Q1 2022	Impact	Q1 2022 Adjusted IFRS 16
EBITDA	13.0	4.8	8.2
Depreciation	-5.9	-4.1	-1.8
Financial charges	-5.3	0.1	-5.4
Net profit	1.2	0.8	0.4
"Right of use" assets	43.1	43.1	0.0
Short-term lease liabilities	16.3	16.3	0.0
Long-term lease liabilities	27.1	27.1	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 2022	Q1 2021
(+) Revenues	Revenues and other income	775.0	764.7
(-) Operating expenses	Raw materials and consumables, employee benefit expense, other expenses, depreciation/amortisation	-767.9	-814.6
= Operating income	Revenues - Operating expenses	7.1	-49.9
(+) Depreciation/amortisation and impairment charges	Depreciation/amortisation and impairment charges	5.9	8.9
EBITDA	Operating income excluding depreciation and amortisation	13.0	-41.0

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 2022	Q1 2021
(+) EBITDA	Operating income excluding depreciation and amortisation	13.0	-41.0
(-) Amortisation and depreciation expenses	Depreciation/amortisation and impairment charges	-5.9	-8.9
EBIT	Operating income	7.1	-49.9

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 2022	Q1 2021
(+) EBIT	Operating income	7.1	-49.9
(+) Covid impact	Extraordinary effect related to Covid-19 pandemic	5.7	-12.1
	UK Teesside project	0.0	103.0
	Extraordinary expenses related to the business reorganization	0.0	2.2
(-) 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**	**12.8**	**43.2**

Concept	Definition	Q1 2022	Q1 2021
(+) Financial Income/expense	Difference between earnings before interest and taxes and earnings before taxes	-5.3	-7.0
(+) Share in results obtained by associates	Income received by associated	0.0	-0.1
(-) Income taxes	Income tax generated by the business	-0.5	-4.0
(-) Adjustments to taxes	Adjustments to taxes	-1.1	-23.3
Adjusted net profit	**Net profit excluding Covid impact and adjustments to taxes**	**5.8**	**8.8**

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 2022	Q1 2021
(+) Cash and equivalents	Cash in hand, deposits held at call with banks, other short-term highly liquid investments with original	958.1	798.1
(+) Financial assets at fair value	Financial assets at fair value through profit and loss	0.0	3.8
(-) Financial debt	Short-term and long-term debt with credit entities	-897.6	-738.7
	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**	**60.5**	**63.2**

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