

## Técnicas Reunidas signs important agreements and launches value initiatives. 2020 Company Guidance

### Highlights

- Large new project in Algeria, announced today, with a value above US\$ 2 billion for Técnicas Reunidas
- Two new awards, with an aggregate value above US\$200 million: Energy efficiency EPC in Colombia and a FEED in Belgium
- Preservation and maintenance agreements for two projects ready for start-up (Talara in Peru and Al Zour in Kuwait)
- Agreement with the Spanish Tax Agency on 2012 corporate tax inspection
- Launch of plan *TR-ansforma* to optimize company operations
- Non-core asset disposal plan of € 50 million
- Guidance for 2020: increase in sales and operating margins

In addition to the major project in Algeria that was announced today, Técnicas Reunidas (TR) has recently secured some other important agreements and taken several significant internal initiatives that altogether will have a relevant effect in its medium-term future.

All these agreements and initiatives allow the company to give a more specific guidance about its estimates for sales and operating margins in the upcoming year of 2020.

### Awards

The company has secured this month two new awards, with an aggregate value above US\$200 million.

**Termocandelaria** S.C.A. E.S.P awarded to Técnicas Reunidas a new project for the conversion to combined cycle of its gas turbine power plant in Cartagena, Colombia. The project has already started and will be completed in 31 months.

The objective of the investment is to increase the output of current operations by improving the overall efficiency of the plant and, at the same time, reducing by 30% its carbon footprint. Additionally, it will provide Colombia with extra flexible base load capacity to support hydro and other renewable energies deployment. This project confirms TR's strength in the Latin American energy market.

In addition to this relevant award in Latin America, **INEOS** has selected Técnicas Reunidas for executing a competitive Front-End Engineering Design (FEED) for the Utilities, Power and Infrastructure (UPI) Package of its large Olefin Complex in Antwerp, Belgium, known as Project ONE. This project includes a world scale Propane Dehydrogenation (PDH) facility and an Ethane Cracker together with the mentioned Utilities/Power/Infrastructure (UPI) as well as Jetties/Tankage/Logistics (JTL). This Project is the biggest investment in the European Chemical Industry in the last 20 years and a landmark in terms of energy efficiency. Técnicas Reunidas, if selected, could potentially convert this FEED into an EPC (Engineering, Procurement and Construction) project.

With the addition of the awards announced today, Técnicas Reunidas order intake exceeds € 7 billion, since January.

In the last fifteen months, the company has secured awards of key EPC projects from ADNOC, Saudi Aramco, Exxon, General Electric/Sumitomo, Suncor and Sonatrach, plus eight relevant FEEDs for Pertamina/Rosneft, ADNOC/Exxon, ADNOC/Cepsa, Socar/BP, YPF, Gunvor, BPC and INEOS. As a consequence, TR has consolidated a growing, healthy and diversified backlog.

### ***Execution: Preservation and maintenance agreements***

Regarding execution, TR has signed an agreement for the **Talara** project with **Petroperú** for the preservation and maintenance of the process units, as they are ready to start up. This agreement will ensure the proper preservation of these core process units until the final completion of the auxiliary units and offsites, currently being executed by other contractors. This agreement also provides for the compensation for these new activities that will ensure a smooth and successful delivery for TR's units. The Talara project, with a value for Técnicas Reunidas of US\$ 2.7 billion, is the largest investment of its type in Latin-America. This megaproject strictly accomplishes the Environmental and Social Impact Assessment requirements, World Bank and Ecuador principles, from the design to the construction, to meet with social and environmental demands of the surrounding communities.

In addition to this agreement, TR signed a similar contract with **KIPIC** (Kuwait Integrated Petroleum Industries Company) for the **Al Zour** project in Kuwait. TR is leading, with a 50% stake, the eighteen process units, worth US\$4 billion, of the largest refinery being ever built at once in the world. All units have been completed and delivered to the client and we are at the maximum level of pre-commissioning, awaiting for the offsites and utilities to be finished by other contractors. This agreement will guarantee the preservation of the eighteen units with the corresponding compensation for the maintenance works needed.

Both agreements are very significant as they signal that TR continues to deliver to client satisfaction important projects that are among the largest and most complex executed in the world and compliant with the most stringent environmental standards.

Over 2019, TR has reached the last stages of execution in projects with an aggregate value of US\$ 16 billion. This is the highest level in TR's history. TR has already completed the work for major projects in Algeria for Sonatrach, in Abu Dhabi for ADNOC, in Turkey for SOCAR and in Malaysia for Petronas. Besides the Peru and Kuwait projects, the company is also at the final stages in the completion and delivery of the two Jizan projects and Fadhili for Saudi Aramco in Saudi Arabia.

### ***Tax settlement***

Técnicas Reunidas has recently closed a settlement agreement with the Spanish Tax Inspection ("*In Agreement Assessment*") for the corporate tax of the financial year 2012. This agreement is related to the application of taxation exemptions to project execution through entities called UTEs ("*Union Temporal de Empresas*"). In the settlement for the year 2012, TR and the Tax Inspection have agreed that the exemption is partially applicable. The amount of the "*In Agreement Assesment*" is € 22 million plus interest. TR expects to close similar agreements for 2013 and 2014 financial years, the last two

years when this tax exemption was in force. With these agreements, the company reduces tax liability risk and eliminates uncertainties in this matter.

### ***TR-ansforma project and non-core asset disposal plan***

Tecnicas Reunidas, in its present growth environment, is focusing on quality delivery and operations to reinforce its leadership in the sector. Early 2019, with the support of *McKinsey* and *EY* as external consultants, TR launched the ***TR-ansforma*** Project to redefine the group's cost structure and the optimisation of company operations. TR is currently moving to the Project implementation phase.

The ***TR-ansforma*** Project focuses on four fronts: structure costs review and reduction; implementation of cost savings operating strategies; optimization of engineering and supervision procedures; and strategic actions linked to the bid stage, cash flow and planning stage.

The measures taken will progressively bear fruit as the projects evolve, with full improvements expected to be recurrently achieved in 2021 and onwards. The management of the group understands that the outcomes of the ***TR-ansforma*** Project should be used to protect project margins and competitiveness. A detailed presentation of the ***TR-ansforma*** plan will be made at the Capital Markets Day that the company will be hosting next spring.

Following the principles of the ***TR-ansforma*** plan, the company has started an asset portfolio optimisation process that will result in the sale of some non-strategic financial investments and real estate assets. TR has already launched this sale process and expects to close these divestments in the first half of 2020. Capital gains from the assets to be sold are expected to amount circa € 50 million.

### ***Guidance 2020***

Taking into consideration the recent contracts and agreements, as well as the major internal initiatives such as the ***TR-ansforma*** plan, the company guides for 2020:

- Sales: € 5,200 million – €5,500 million
- Operating Margin (EBIT/Sales): above 3%

Juan Lladó, CEO of the company, commented:

*“Técnicas Reunidas, since January, has secured more than € 7 billion of awards. In addition, during 2019, the company has taken important steps to guarantee profitable growth for the future. The year 2020 will see the fruits of these steps, as reflected in our guidance for significant growth and margin recovery.”*

Técnicas Reunidas is one of the main international companies for Engineering and Construction in the Energy sector and has a wide variety of clients around the world. Our professionals are committed to developing projects with the objective of obtaining energy that is more affordable, more reliable and responding to the environmental requirements demanded by the society. Since 1960, TR has designed and constructed more than 1,000 industrial plants in over 50 countries.