



TECNICAS REUNIDAS

FULL YEAR RESULTS

January – December 2016

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2016 Annual accounts audited by Price Waterhouse Coopers

1. HIGHLIGHTS

2016 Main Highlights

- Order intake at €2.9 billion
- Backlog at € 10.6 billion
- 14% growth in sales to € 4.8 billion, above initial guidance
- Operating profit at € 192 million with a 4% EBIT margin
- Net profit from operations at € 140 million
- Solid balance sheet with a net cash position of € 488 million
- Dividend payments of € 75 million in 2016

Final 2016 sales exceeded the initial company guidance for the year, provided in February 2016. Despite the impact of the oil price crisis on capital investments worldwide, Técnicas Reunidas has been able to increase sales over the last three years, by a cumulative total of 68%: 11%, in 2014; 32%, in 2015; and 14%, in 2016. This strong performance in the middle of the crisis period was due to the important level of awards achieved in the most resilient markets (Middle East) that resulted in a backlog 66% above the levels registered three years ago.

Operating profit also exceeded initial company guidance. It reached € 192 million, which implies a 4% margin, in line with company guidance.

Net profit from continuing operations was € 140 million. The company has written down € 11 million of assets available for sale, leading to a net profit after discontinued operations of € 129 million.

Net cash position, as of the 31st of December, 2016, was € 488 million, similar to the level reached at the end of the third quarter.

Juan Lladó, Chief Executive Officer of Técnicas Reunidas, said:

“The growth of Técnicas Reunidas in recent years is the outcome of our vision to build a client based business platform, diversified by products and geographies. Client satisfaction allows us to rely on the recurrence of our current customers, while at the same time, we continue to widen our client base in selected markets.

We successfully secured important awards over the last three years. After this difficult period for the sector, we are currently seeing a more normalized investment market. We are bidding and receiving invitations to bid in different areas such as the Middle East, Asia or the Americas, both North and South. The projects we are bidding belong to industries with solid drivers for a steady flow of future worldwide investment, such as clean fuels refining, natural gas processing and petrochemicals.

Also, we seek high value added engineering projects following our aim of supporting our clients from the early stages of the development process. In 2016, we worked in several FEED projects in different technologies all around the world.

In 2017, Técnicas Reunidas will remain focused on successful execution with efficiency, risk control and cash discipline. Our healthy backlog and strong pipeline will allow us to consolidate our business, and strengthen the foundations for future growth.”

HIGHLIGHTS <i>January - December</i>	Year 2016 € million	Year 2015 € million	Var. %
Backlog	10,582	12,136	-13%
Net Revenues	4,793	4,188	14%
EBITDA	211	105	100%
<i>Margin</i>	<i>4.4%</i>	<i>2.5%</i>	
EBIT	192	86	123%
<i>Margin</i>	<i>4.0%</i>	<i>2.1%</i>	
Net Profit*	140	60	133%
<i>Margin</i>	<i>2.9%</i>	<i>1.4%</i>	
Net Cash Position	488	533	-8%

* Net Profit from Continuing Operations

2. BACKLOG

	Project	Country	Client	Estimated Delivery
Refining and Petrochemical	Ras Tanura refinery	Saudi Arabia	Saudi Aramco	2021
	Al Zour refinery	Kuwait	KNPC	2019
	Minatitlán refinery	Mexico	Pemex	2019
	Westlake petrochemical complex	US	Sasol	2018
	Heroya Industrial Park	Norway	Yara Norge AS	2018
	RAPID refinery	Malaysia	Petronas	2018
	Talara refinery	Peru	Petroperu	2018
	Star refinery	Turkey	SOCAR	2018
	Jazan refinery	Saudi Arabia	Saudi Aramco	2018
	Sturgeon refinery	Canada	North West Redwater Partnership	2017
	Antwerp refinery*	Belgium	Total	-
Sadara*	Saudi Arabia	Saudi Aramco/Dow Chemical	-	
Upstream & Gas	Fadhili	Saudi Arabia	Saudi Aramco	2020
	GT5	Kuwait	KNPC	2019
	Jazan IGCC	Saudi Arabia	Saudi Aramco	2019
	GAASCO	United Arab Emirates	ADNOC / Total / Shell	2018
	Touat gas field	Algeria	GDF Suez / Sonatrach	2018
Hail Field Development	United Arab Emirates	ADOC	2017	
Power	Biomass plant	UK	MGT Teeside	2020
	Turów	Poland	Polska Grupa Energetyczna	2020
	Kilpilahti	Finland	Neste / Veolia / Borealis	2018
	Fort Hills	Canada	Suncor/Total/Teck	2017
	Los Mina	Dominican Republic	AES Dominicana	2017
	Ashuganj	Bangladesh	Ashuganj Power Station Company	2017
Nodo Energetico del Sur*	Peru	Enersur	-	

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

Backlog as of December 31st, 2016

At the end of December 2016, Técnicas Reunidas' backlog closed at € 10,582 million, down 13% compared to the end of December 2015, but up 66% compared to the levels of the start of the oil sector crisis in 2014.

Oil and Gas projects represented 93% of the total backlog, while the Power division accounted for 7%.

Full Year 2016 order intake was € 2,922 million. The main projects awarded during the year were the following:

- The Minatitlan refining project for Pemex in Mexico,
- the Kilpilahti electricity generation project for Neste, Veolia and Borealis in Finland,
- a biomass plant for MGT Teeside in The United Kingdom and
- the Ras Tanura refining project for Saudi Aramco in Saudi Arabia.

At the end of December, Saudi Aramco selected Técnicas Reunidas to execute a turnkey contract for the Clean Fuels project in the Ras Tanura refinery on the east coast of Saudi Arabia.

The scope of the contract includes engineering, procurement, construction and assistance with commissioning of two packages. The first package covers the following units: isomerisation, naphtha hydro-treatment, CCR, interconnections, flare system and buildings; while the second package involves the offsites & utilities. The contract is expected to last 48 months until the mechanical completion of the plant.

2017 Awards

Técnicas Reunidas started, under an "open-book" modality, the execution of the first phase of the auxiliary units and ancillary facilities development that will serve the new refinery that is currently in an advanced state of execution also by Técnicas Reunidas, for Petroperú.

This first phase involves the completion of basic engineering and the preparation of updated budget estimations and will finalize at the beginning of the second quarter of this year.

The auxiliary units include: cogeneration plant, hydrogen production unit, acid production plant, seawater intake and submarine outfall, seawater desalination plant, potable water treatment plant and wastewater treatment plant.

The total investment of the auxiliary units was estimated at about \$ 830 million in 2012. Both the budget and the final scope and schedule, will now be updated by Técnicas Reunidas.

Additionally, the scope of the ancillary facilities include the modernization of the entire electrical system of the existing refinery, the kerosene treatment unit, the spent soda treatment unit, additional buildings and tanks, the new laboratory, the expansion of the fire protection systems, catalysts and chemicals, amongst others.

The second phase of the project, which is scheduled to start in the second quarter of 2017, will comprise of the conversion to a lump sum turnkey contract of these facilities, as established by the selected open-book modality. This second phase will conclude by the end of 2020, on a date that will be finalized by the end of the first phase.

The objective of the whole project is to produce diesel and gasoline fuels, according to the new Peruvian environmental requirements (maximum sulphur content of 50 ppm), at competitive prices.

The construction of the new refinery that Técnicas Reunidas is carrying out is in an advanced state of execution and ahead of schedule.

Following these actions, Petroperú will generate greater added value in the Talara Refinery operation, by increasing the production of medium distillates and achieving greater flexibility in the processing of heavy crude oils. The modernization project will also increase the refinery's production capacity.

2016 FEEDs and R&D projects

The company is continuously awarded conceptual studies, feasibility studies and FEEDs (Front End Engineering and Design), which are not announced individually. These projects contribute to strengthen our relationship with clients and are crucial to keep developing our leading technical and technological capabilities. The company is reinforcing its strategy to carry out more projects of this type. Also, Técnicas Reunidas participates in different projects for research and development of new technologies.

The main FEEDs, conceptual studies and R&D projects awarded during 2016 were:

- Ras Laffan Project: FEED project for the Gasoline Production Units of the Zekeet Project phase II for Qatargas in Ras Laffan, Qatar.
- Skikda Project: FEED and PMC (Project Management Consulting) contract for the expansion of the Sonatrach's Skikda refinery in Algeria, which includes fuel oil hydrocracker (4 units), naphtha treatment (3 units) and offsites and utilities (2 units).
- Rijeka Project: FEED for the Residue Upgrade Project for the INA's Rijeka refinery in Croatia, which involves the expansion and revamping of the existing refinery.
- Saih Rawl Project: Detail Engineering contract for the conversion of Saih Rawl Open Cycle Gas Turbine (OCGT) power plant to a Combined Cycle Gas Turbine (CCGT) power plant, located in Oman.
- Sohar project: FEED verification for a new grass root refinery mainly to produce bitumen, in Oman.
- DOEx project: Process and Basic Engineering Package for Value Creation, Inc. Plant, which will process dry bitumen to produce Decontaminated Oil (DCO™) as final product with their own DOEx technology in Oman.
- Enagas project: FEED project for the Enagas regasification plant in Baja California, Mexico.
- Two FEED projects for electricity generation in Mexico and one in The United States.
- FEED/Detail Design service contract for a solar plant for GlassPoint Solar Inc. in Muscat, Oman.
- The INTMET Project: European R&D project in which Técnicas Reunidas will develop processes to recovery Zn, Ag, Pb and high value added metals from low grade or polymetallic ores.

- The MONACITE Project: R&D project, in which Técnicas Reunidas will develop a hydrometallurgical process for rare earth production from monazite mineral.

3. CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT January - December	Year 2016 € million	Year 2015 € million	Var. %
Net Revenues	4,792.6	4,187.9	14.4%
Other Revenues	4.2	7.5	
Total Income	4,796.8	4,195.4	14.3%
Raw materials and consumables	-3,407.0	-3,019.9	
Personnel Costs	-576.3	-543.9	
Other operating costs	-602.5	-526.3	
EBITDA	211.0	105.3	100.4%
Amortisation	-19.1	-19.3	
EBIT	191.9	86.0	123.1%
Financial Income/ expense	4.0	1.5	
Share in results obtained by associates	-2.5	-5.2	
Profit before tax	193.4	82.3	134.9%
Income taxes	-53.2	-22.2	
Net Profit from Continuing Operations	140.2	60.2	132.9%
Net Loss from Discontinued Operations	-11.0	0.0	
Net Profit after Discontinued Operations	129.2	60.2	114.6%

3.1 REVENUES

REVENUES BREAKDOWN January - December	Year 2016 € million	%	Year 2015 € million	%	Var. %
Oil and gas	4,266.2	89.0%	3,744.4	89.4%	13.9%
Power	395.9	8.3%	320.8	7.7%	23.4%
Infrastructure and industries	130.5	2.7%	122.7	2.9%	6.4%
Net Revenues	4,792.6	100%	4,187.9	100%	14.4%

In 2016, net revenues grew by 14.4% to € 4,792.6 million, due to the high level of awards by the company over the last two years.

Sales from the oil and gas division went up 13.9% and reached € 4,266.2 million in 2016. Oil and Gas revenues accounted for the vast majority of total sales, supported by the Refining and Petrochemical business, as well as the treatment and processing of natural gas.

- Refining and Petrochemical: The projects with more contribution to sales were the following: Talara for Petroperu (Peru), STAR for SOCAR (Turkey) and RAPID for Petronas (Malaysia).
- Upstream and Natural Gas: The main contributors to sales were: the Fadhili project for Saudi Aramco (Saudi Arabia), the Jazan IGCC for Saudi Aramco (Saudi Arabia), the GT5 project for KNPC (Kuwait) and the Gasco project for ADNOC/Total/Shell (UAE).

Revenues of the power division went up 23.4% to € 395.9 million in 2016. The Fort Hills cogeneration project for Suncor / Total / Teck (Canada) and the last two awarded projects, Kilpilahti electricity generation plant for Neste / Veolia / Borealis (Finland) and the biomass plant for MGT Teeside (The UK), were the largest contributors to sales.

3.2 OPERATING AND NET PROFIT

OPERATING AND NET PROFIT January - December	Year 2016 € million	Year 2015 € million	Var. %
EBITDA	211.0	105.3	100.4%
<i>Margin</i>	4.4%	2.5%	
EBIT	191.9	86.0	123.1%
<i>Margin</i>	4.0%	2.1%	
Net Profit*	140.2	60.2	132.9%
<i>Margin</i>	2.9%	1.4%	

* Net Profit from Continuing Operations

EBIT BREAKDOWN January - December	Year 2016 € million	Year 2015 € million	Var. %
Operating Profit from divisions	283.5	167.0	69.8%
Costs not assigned to divisions	-91.5	-80.9	13.1%
Operating profit (EBIT)	191.9	86.0	123.1%

Financial Income/Expense January - December	Year 2016 € million	Year 2015 € million
Net financial Income *	1.2	1.1
Gains/losses in transactions in foreign currency	2.8	0.4
Financial Income/Expense	4.0	1.5

* Financial income less financial expenditure

2016 EBIT was € 191.9 million, 123% higher than FY 2015 EBIT, negatively impacted by the Canadian project. Operating margin was 4%, in line with company guidance.

Net profit from continuing operations was € 140.2 million, 133% higher than the 2015 level. Técnicas Reunidas decided to write down non-core assets, from the infrastructure division that are available for sale. The net impact in 2016 was € 11 million, resulting in a net profit after discontinued operations of € 129 million.

Net Profit was favoured by a larger financial income and a lower negative share in results obtained by associates.

- Financial Income increased from € 1.5 million in 2015, to € 4.0 million in 2016. This improvement was owing to higher gains in transactions in foreign currency.
- In 2016, the company income tax was € 53.2 million, which represents an effective tax rate of 27.5%.

4. CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET December 31	Year 2016 € million	Year 2015 € million
ASSETS:		
Non-current Assets		
Tangible and intangible assets	69.7	130.0
Investment in associates	13.1	4.9
Deferred tax assets	225.8	186.7
Other non-current assets	24.6	23.4
	333.1	345.0
Current assets		
Inventories	17.0	21.7
Trade and other receivables	2,406.3	2,401.5
Other current assets	90.5	73.0
Cash and Financial assets	752.4	772.0
	3,266.2	3,268.3
TOTAL ASSETS	3,599.3	3,613.2
EQUITY AND LIABILITIES:		
Equity	441.8	397.5
Non-current liabilities		
Financial Debt	155.2	157.7
Other non-current liabilities	28.5	29.9
Long term provisions	35.0	31.2
Current liabilities		
Financial Debt	109.4	81.8
Trade payable	2,570.5	2,611.3
Other current liabilities	258.9	303.8
	2,938.8	2,996.9
Total liabilities	3,157.5	3,215.7
TOTAL EQUITY AND LIABILITIES	3,599.3	3,613.2
EQUITY		
December 31	Year 2016 € million	Year 2015 € million
Shareholders' funds + retained earnings	619.6	597.0
Treasury stock	-72.6	-74.2
Hedging reserve	-73.4	-93.2
Interim dividends	-35.9	-35.8
Minority Interest	4.1	3.7
EQUITY	441.8	397.5

NET CASH POSITION December 31	Year 2016 € million	Year 2015 € million
Current assets less cash and financial assets	2,513.8	2,496.2
Current liabilities less financial debt	-2,829.4	-2,915.1
COMMERCIAL WORKING CAPITAL	-315.6	-418.9
Financial assets	64.2	63.2
Cash and cash equivalents	688.3	708.8
Financial Debt	-264.6	-239.5
NET CASH POSITION	487.8	532.6
NET CASH + COMMERCIAL WORKING CAPITAL	172.2	113.7

- At the end of December 2016, equity of the company was € 441.8 million, higher than the level of December 2015, benefited from a lower impact of the negative hedging reserves.
- The net cash position closed at € 487.8 million, 8% lower than December 2015 but in line with company expectations, following the company's commitment to a dedicated cash management.
- In December 2015, the Board of Directors approved an interim dividend of € 0.667 per share (€ 35.8 million) out of the 2015 results, which was paid on the 12th of January 2016. In February, the company announced a complementary dividend of € 0.7289 per share (€ 39.2 million) out of the 2015 results, which was paid on the 14th of July 2016. Consequently, total dividends paid in 2016 out of 2015 results, were € 75 million, the same absolute amount paid in 2015.

In December 2016, the Board of Directors already approved an interim dividend of € 0.667 per share out of 2016 results, which was paid on the 19th of January, 2017.

ANNEX: FILINGS WITH CNMV RELEVANT EVENTS AND OTHER COMMUNICATIONS

In the fourth quarter of 2016, the company filed the following communications with the Spanish “Comisión Nacional del Mercado de Valores” (CNMV):

- Regarding the liquidity agreement signed with Santander Investment Bolsa, Sociedad de Valores, SAU, the company reported information of the operations made during the sixth quarter:

SUMMARY			
	Shares	Net Value (€)	Average price (€)
Opening account	64,113	1,882,975	
Purchases	1,731,704	-59,228,733	34.20
Sales	-1,746,763	59,732,531	34.20
Final account	49,054	2,386,774	

- The company reported to the CNMV that the Board of Directors approved on the 28th of December 2016, the distribution of € 0.667 per share, € 35.8 million in total, as an advanced payment of the dividend out of 2016 results, to be approved in the next Shareholders General Meeting. The interim dividend was paid on the 19th of January of 2017.

Also, after the end of the fourth quarter, the company filed the following communications:

- Saudi Aramco, selected Técnicas Reunidas to execute a turnkey contract for the Clean Fuels project in the Ras Tanura refinery on the east coast of Saudi Arabia.

The contract has a duration of 48 months until the mechanical completion of the plant and started at the end of 2016. The scope of this contract includes engineering, procurement, construction and assistance with commissioning in two packages: Package 1: isomerisation, naphtha hydro-treatment, CCR, interconnections, flare system and buildings. Package 2: offsites & utilities.

The awarding of this contract highlights the position of Técnicas Reunidas in the Saudi Arabian market, proving the continued confidence placed in the company by one of its most important clients, Saudi Aramco, with which it has been working uninterruptedly since 2003, in more than 16 projects.

- Técnicas Reunidas started, under an "open-book" modality, the execution of the first phase of the auxiliary units and ancillary facilities development that will serve the new refinery that is currently in an advanced state of execution also by Técnicas Reunidas, for Petroperú.

This first phase involves the completion of basic engineering and the preparation of updated budget estimations and will finalize at the beginning of the second quarter of this year.

The auxiliary units include: cogeneration plant, hydrogen production unit, acid production plant, seawater intake and submarine outfall, seawater desalination plant, potable water treatment plant and wastewater treatment plant.

The total investment of the auxiliary units was estimated at about \$ 830 million in 2012. Both the budget and the final scope and schedule, will now be updated by Técnicas Reunidas.

Additionally, the scope of the ancillary facilities include the modernization of the entire electrical system of the existing refinery, the kerosene treatment unit, the spent soda treatment unit, additional buildings and tanks, the new laboratory, the expansion of the fire protection systems, catalysts and chemicals, amongst others.

The second phase of the project, which is scheduled to start in the second quarter of 2017, will comprise of the conversion to a lump sum turnkey contract of these facilities, as established by the selected open-book modality. This second phase will conclude by the end of 2020, on a date that will be finalized by the end of the first phase.

The objective of the whole project is to produce diesel and gasoline fuels, according to the new Peruvian environmental requirements (maximum sulphur content of 50 ppm), at competitive prices.

The construction of the new refinery that Técnicas Reunidas is carrying out is in an advanced state of execution and ahead of schedule.

Following these actions, Petroperú will generate greater added value in the Talara Refinery operation, by increasing the production of medium distillates and achieving greater flexibility in the processing of heavy crude oils. The modernization project will also increase the refinery's production capacity.