TÉCNICAS REUNIDAS, S.A.
AND SUBSIDIARIES

Limited review report on
condensed interim consolidated financial
statements at 30 June 2016

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation

LIMITED REVIEW REPORT ON CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Técnicas Reunidas, S.A. at the request of Management

Report on condensed interim consolidated financial statements

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (the "interim financial statements") of Técnicas Reunidas, S.A. (the "Parent company") and its subsidiaries (the "Group"), consisting of the balance sheet at 30 June 2016, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the related notes, all of them condensed and consolidated, for the six-month period then ended. The Parent company´s directors are responsible for the preparation of said interim financial statements in accordance with the International Accounting Standard (IAS) 34, Interim Financial Reporting, adopted by the European Union, on the preparation of condensed interim financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of the review

Our review has been performed in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A limited review of the interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying certain analytical and other review procedures. The scope of a limited review is substantially more restricted than the scope of an audit and, therefore, it does not provide assurance that all significant matters that might be identified in an audit will be revealed to us. Therefore, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

As a result of our limited review, which at no time should be regarded as an audit of accounts, nothing has come to our attention which leads us to conclude that the accompanying interim financial statements for the six-month period ended 30 June 2016 have not been prepared, in all material aspects, in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, adopted by the European Union, in conformity with Article 12 of Royal Decree 1362/2007, for the preparation of condensed interim financial statements.

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Emphasis paragraph

We draw attention as mentioned in the accompanying Note 2, which indicates that the aforementioned interim financial statements do not include all the information that would be required for complete consolidated financial statements prepared under the International Financial Reporting Standards adopted by the European Union, and therefore the accompanying interim financial statements should be read together with the Group's consolidated annual accounts for the year ended 31 December 2015. This matter does not modify our conclusion.

Report on other legal and regulatory requirements

The accompanying consolidated interim Director's Report for the six-month period ended 30 June 2016 contains the explanations that the directors of the Parent company considers appropriate on the significant events occurring during that period and their impact on the interim financial statements presented, of which it does not form part, as well as on the information required in conformity with Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in the aforementioned Director's Report is in agreement with that of the interim financial statements for the six-month period ended 30 June 2016. Our work is limited to checking the director's report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the consolidated accounting records of Técnicas Reunidas, S.A. and subsidiaries.

Other issues

This report has been prepared at the request of the management of Técnicas Reunidas, S.A. in relation to the publication of the half-yearly financial report required by Article 119 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by the Royal Decree 1362/2007, of 19 October.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Goretty Álvarez
Partner

28 July 2016

This version of the consolidated condensed interim financial statements is a free translation from the original, which is prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the annual accounts takes precedence over this translation.

TÉCNICAS REUNIDAS, S.A.
AND SUBSIDIARIES

Condensed Interim Consolidated Financial Statements
and Directors' Report for
the six month period ended 30 June 2016

Contents of the Condensed Interim Consolidated Financial Statements for Técnicas Reunidas, S.A. and Subsidiaries

TECNICAS REUNIDAS, S.A. AND SUBSIDIARIES
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET AS OF 30 JUNE 2016 AND 31 DECEMBER 2015
(Thousands euro)

	Notes	At 30 June 2016	At 31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	**9**	60,788	64,180
Goodwill	**9**	1,242	1,242
Other intangible assets	**9**	64,482	64,559
Investments in associates		184	4,889
Deferred income tax assets		175,319	186,730
Available-for-sale financial assets	**10.a**	1,016	1,010
Derivative financial instruments	**10.a**	6,681	6,273
Receivables and other assets	**10.a**	20,704	16,093
		330,416	**344,976**
Current assets			
Inventories		21,205	21,696
Trade and other receivables		2,523,968	2,401,537
Other financial assets		43,187	47,476
Derivative financial instruments	**10.a**	20,761	25,516
Financial assets at fair value through profit or loss.	**10.a**	61,713	63,198
Cash and cash equivalents		642,086	708,840
		3,312,920	**3,268,263**
Total assets		**3,643,336**	**3,613,239**

Notes 1 to 17 in the accompanying Notes to the Financial Statements form an integral part of these Consolidated Condensed Interim Financial Statements.

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET AS OF 30 JUNE 2016 AND 31 DECEMBER 2016
(Thousands euro)

	Notes	At 30 June 2016	At 31 December 2015
EQUITY			
Capital and reserves attributable to owners of the parent			
Share capital	11	5,590	5,590
Share premium		8,691	8,691
Treasury shares	11	(74,334)	(74,150)
Other reserves		4,193	1,137
Hedging reserve		(58,900)	(93,203)
Cumulative translation differences		(9,305)	(4,165)
Retained earnings		557,429	585,713
Interim dividend		-	(35,830)
Equity attributable to owners of the parent		**433,364**	**393,783**
Non-controlling interests		**3,884**	**3,737**
Total equity		**437,248**	**397,520**
LIABILITIES			
Non-current liabilities			
Borrowings	10.d	105,860	157,651
Derivative financial instruments	10.b	4,381	13,426
Deferred income tax liabilities		15,333	11,500
Other payables	10.b	606	482
Other liabilities	10.b	577	577
Employee benefit obligations		3,917	3,929
Provisions for liabilities and charges	12	33,760	31,217
		164,434	**218,782**
Current liabilities			
Trade payables		2,728,525	2,611,322
Current tax liabilities		82,110	86,510
Borrowings	10.d	76,763	81,808
Derivative financial instruments	10.b	101,978	167,225
Other payables	10.b	45,757	46,060
Provisions for liabilities and charges		6,521	4,012
		3,041,654	**2,996,937**
Total liabilities		**3,206,088**	**3,215,719**
Total equity and liabilities		**3,643,336**	**3,613,239**

Notes 1 to 17 in the accompanying Notes to the Financial Statements form an integral part of these Consolidated Condensed Interim Financial Statements.

TECNICAS REUNIDAS, S.A. AND SUBSIDIARIES
CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2016 AND 2015
(Thousands euro)

	Notes	Six month period ended 30 June 2016	Six month period ended 30 June 2015
Revenue		2,303,938	1,883,617
Change in inventories		514	510
Raw materials and consumables		(1,629,329)	(1,252,857)
Employee benefit expense		(296,734)	(277,288)
Depreciation/amortisation and impairment charges	9	(10,162)	(7,558)
Lease and royalty expenses		(26,228)	(22,849)
Other expenses		(253,528)	(232,159)
Other income		3,907	3,623
Operating profit		**92,378**	**95,039**
Finance income		4,190	4,690
Finance expense		(5,192)	(2,445)
Net exchange differences		1,573	2,088
Financial income/(expense)		**571**	**4,333**
Share in profit/(loss) of associates		(3,306)	995
Profit before taxes		**89,643**	**100,367**
Income tax expense	8	(23,757)	(25,293)
Profit for the period		**65,886**	**75,074**
Attributable to:			
Owners of the parent		65,705	74,516
Non-controlling interests		181	558
Basic and diluted earnings per share attributable to the owners of the parent.	11	1,22	1,39

Notes 1 to 17 in the accompanying Notes to the Financial Statements form an integral part of these Consolidated Condensed Interim Financial Statements.

TECNICAS REUNIDAS, S.A. AND SUBSIDIARIES
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2016 AND 2015
(Thousands euro)

	Six month period ended 30 June	
	2016	**2015**
Profit for the period	**65,886**	**75,074**
Other comprehensive income		
Items that will not be reclassified to profit or loss	-	-
Total items that will not be reclassified to profit or loss	**-**	**-**
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges, net of taxes	34,303	(37,561)
Foreign currency translation differences	(5,140)	274
Total items that may be reclassified subsequently to profit or loss	**29,163**	**(37,287)**
Total comprehensive income for the period	**95,049**	**37,787**
Attributable to:		
- Owners of the parent	94,868	37,229
- Non-controlling interests	181	558
Total comprehensive income for the period	**95,049**	**37,787**
Total comprehensive income for the period from:	95,049	37,787
- Continued operations		
- Discontinued operations	-	-
	95,049	**37,787**

The amounts shown in the above consolidated condensed interim statement of comprehensive income are presented net of taxes.

Notes 1 to 17 in the accompanying Notes to the Financial Statements form an integral part of these Consolidated Condensed Interim Financial Statements.

TECNICAS REUNIDAS, S.A. AND SUBSIDIARIES
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2015 AND 2014
(Thousands euro)

	Share capital	Share premium	Treasury shares	Legal reserve	Capitalization reserve	Hedging reserve	Cumulative translation differences	Retained earnings	Interim dividend	Non-controlling interests	Total equity
Balance at 1 January 2015	**5,590**	**8,691**	**(73,371)**	**1,137**	**-**	**(49,255)**	**(18,307)**	**614,288**	**(35,846)**	**2,905**	**455,832**
Comprehensive income for the period ended 30 June 2015.	-	-	-	-	-	(37,561)	274	74,516	-	558	37,787
Transactions in treasury shares, net	-	-	(2,981)	-	-	-	-	2,964	-	-	(17)
Distribution against 2014 profits	-	-	-	-	-	-	-	(75,000)	35,846	-	(39,154)
Other changes in equity	-	-	-	-	-	-	-	(12,481)	-		(12,481)
Balance at 30 June 2015 (unaudited)	**5,590**	**8,691**	**(76,352)**	**1,137**	**-**	**(86,816)**	**(18,033)**	**604,287**	**-**	**3,463**	**441,967**
Balance at 1 January 2016	**5,590**	**8,691**	**(74,150)**	**1,137**	**-**	**(93,203)**	**(4,165)**	**585,713**	**(35,830)**	**3,737**	**397,520**
Comprehensive income for the period ended 30 June 2016.	-	-	-	-	-	34,303	(14,508)	65,705	-	181	85,681
Transactions in treasury shares, net	-	-	(184)	-	-	-	-	-	-	-	(184)
Distribution against 2015 profits	-	-	-	-	3,056	-	-	(78,056)	35,830	-	(39,170)
Other changes in equity	-	-	-	-	-	-	9,368	(15,933)	-	(34)	(6,599)
Balance at 30 June 2016 (unaudited)	**5,590**	**8,691**	**(74,334)**	**1,137**	**3,056**	**(58,900)**	**(9,305)**	**557,429**	**-**	**3,884**	**437,248**

Notes 1 to 17 in the accompanying Notes to the Financial Statements form an integral part of these Consolidated Condensed Interim Financial Statements

TECNICAS REUNIDAS, S.A. AND SUBSIDIARIES
CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2016 AND 2015 (Thousands euro)

	Six month period ended 30 June	
	2016	**2015**
Cash flows from operating activities		
Profit for the period	65,886	75,074
Adjustments for:		
- Taxes	23,757	25,293
- Depreciation/amortisation of PPE and intangible assets	10,162	7,558
- Change in provisions, net	5,052	(13,531)
- Share in (profit)/loss of associates	3,306	(995)
- Changes in fair value of financial instruments	1,485	(1,159)
- Interest income	(4,190)	(4,690)
- Interest expense	5,192	2,445
- Change in gains/losses on derivatives	(24,798)	22,112
- Exchange gains/losses	(1,573)	(2,088)
- Other gains/(losses)	-	(3,985)
Changes in working capital		
- Inventories	491	1,681
- Trade and other receivables	(125,001)	(470,654)
- Other financial assets	(28,884)	5,611
- Trade payables	98,700	179,272
- Other accounts payable	-	524
- Other changes	12,449	3,606
Other flows from operating activities:		
- Interest paid	(5,192)	(2,445)
- Interest received	4,190	4,690
- Income taxes paid	(9,425)	(9,249)
- Other amounts paid/(received)	(34)	-
Net cash from/(used in) operating activities	**31,573**	**(180,930)**
Cash flows from investing activities		
Purchases of property, plant and equipment	(5,119)	(8,330)
Purchases of intangible assets	(1,574)	(2,683)
Acquisition of associates	-	(1,500)
Available-for-sale financial assets	(6)	-
Disinvestment in associates	1,222	-
Net cash used in investing activities	**(5,477)**	**(12,513)**
Cash flows from financing activities		
Debt Issue	-	77,280
Acquisition of own equity instruments	(184)	-
Other debts	-	(17)
Repayment of borrowings	(56,836)	(1,409)
Dividends paid	(35,830)	(35,846)
Net cash used in financing activities	**(92,850)**	**40,008**
Net increase/decrease in cash and cash equivalents	**(66,754)**	**(153,435)**
Cash and cash equivalents at beginning of the year	**708,840**	**628,367**
Cash and cash equivalents at end of the year	**642,086**	**474,932**

TECNICAS REUNIDAS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

Free translation of the consolidated condensed interim financial statements for the six month period ended 30 June 2016 originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

1. General information

Técnicas Reunidas, S.A. (hereinafter the Company) is the parent of the Group and was incorporated on 6 July 1960 as a Public Limited Liability Company. It is entered in the Madrid Mercantile Registry, Volume 1407, Sheet 129, Page 5692 of the Companies Book. The latest adaptation and modification of its Articles of Association are entered into Volume 22573, Section 8, Book 0, Sheet 197, Page M-72319, entry 157. The domicile maintained by Técnicas Reunidas, S.A. is located in Madrid at calle Arapiles, 14. Its main offices are located in Madrid at calle Arapiles 13.

Técnicas Reunidas, S.A. and Subsidiaries (hereinafter the Group) is a Group with the corporate purpose consists of the performance of all classes of engineering services and the construction of industrial plants, including viability or basic and conceptual engineering studies to turnkey engineering, design and construction of large, complex projects, the management of supply, equipment and material deliveries and the construction of plants and related or associated services, such as technical assistance, construction supervision, project management, launch and training. Within its engineering service activity, the Group operates through several lines of business, mainly in the refinery, gas and energy sectors.

All of the shares in Técnicas Reunidas, S.A. are listed on the four official stock markets in Spain and on the continuous market since 21 June 2006 and forms part of the Ibex35.

The companies that make up the Group end their financial year on 31 December.

The financial statements for Técnicas Reunidas, S.A. (Parent Company) and the consolidated financial statements for Técnicas Reunidas, S.A. and Subsidiaries for 2015 were approved by shareholders at a General Meeting held on 29 June 2016.

These consolidated condensed interim financial statements have been prepared and approved by the Board of Directors at a meeting held on 28 July 2016. The consolidated condensed interim financial statements have been submitted to a limited review and have not been audited.

The figures set out in these consolidated condensed interim financial statements (hereinafter the interim financial statements) are presented in thousand euro, unless expressly indicated otherwise.

2. Basis of presentation

The consolidated condensed interim financial statements for the six month period ended 30 June 2016 have been prepared in accordance with IAS 34 "Interim financial information" and should be read together with the consolidated financial statements for the year ended 31 December 2015, prepared in accordance with International Financial Reporting Standards adopted as by the European Union (IFRS-EU).

3. Accounting policies

Except for the issues mentioned below, the accounting policies applied are uniform with respect to those applied in the 2015 consolidated financial statements.

The taxes accrued on the profits obtained in interim periods are calculated based on the tax rate applicable to the total projected annual profit.

3.1. Mandatory standards, amendments and interpretation for all years starting 1 January 2016:

- IFRS 2 “Share-Based payments”;
- IFRS 3 “Business Combinations”;
- IFRS 8 “Operating Segments”;
- IAS 16 “Property, Plant & Equipment”;
- IAS 38 “Intangible Assets”;
- IAS 24 “Related Parties Disclosure”;
- IAS 19 (Modification) “Employee Benefits”;
- IFRS 11 (Modification) “Shares Acquisition Accounting in Joint Operations”;
- IAS 16 (Modification) y IAS 38 (Modification) “Explanation of acceptable practices in amortization and depreciation”;
- IAS 27 (Modification) “Equity method in separate Financial Statements”;
- IAS 1 (Modification) “Presentation of Financial Statements”.

The content of this amendment did not have a significant effect on these Interim financial statements.

3.2. Standards, amendments and interpretations applied to existing standards that have not been adopted to date by the European Union:

At the date of these consolidated condensed interim financial statements were signed, the IASB and IFRS Interpretations Committee had published the standards, amendments and interpretations indicated below, pending to be adopted by the European Union.

- IFRS 9 “Financial Instruments”;
- IFRS 10 (Modification) y IAS 28 (Modification) “Selling Assets between an investor and his joint business”;
- IFRS 15 “Ordinary Income from Client Contracts”;
- IFRS 16, “Leases”;
- IAS 7 (modificación), “Disclosure Initiative”;
- IAS 12 (modificaction), “Recognition of Deferred Tax Assets for Unrealised Losses”;
- IFRS 2 (modification), “Share-based Payment”.

The Group is in the process of analysing the impacts that the new legislation could have on its consolidated financial statements.

4. Estimates

The preparation of these consolidated condensed interim financial statements requires management to apply judgment, estimates and assumptions that affect the application of the accounting policies and the amounts presented under assets and liabilities and revenues and expenses. Actual results may differ from these estimates.

When preparing these consolidated condensed interim financial statements, the important judgments used by management to apply the Group's accounting policies and the key sources of uncertainty within these estimates are the same as those applied in the consolidated financial statements for the year ended 31 December 2015, with the exception of the changes in the estimates to calculate the provision for corporate income tax (see Note 3).

5. Financial risk management

5.1 Financial risk factors

The Group's activities are exposed to several financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk.

The consolidated condensed interim financial statements do not include all of the information and breakdowns regarding financial risk management that are mandatory for the annual accounts and therefore they should be read together with the Group's annual accounts for the year ended 31 December 2015 (Note 2).

There have been no changes in the Risk Management Department or in any risk management policy since the end of last year.

5.2 Liquidity risk

Predicting cash flow takes place individually for each company and agregate for the Group. The Group Financial Division monitors forecasts of liquidity needs of the Group in order to ensure that it has sufficient cash to meet operational needs while maintains sufficient availability of credit facilities unused.

5.3 Estimation of fair value

For those financial instruments measured at fair value in the balance sheet the measurements are broken down by level, in accordance with the following hierarchy:

- Quoted prices (not adjusted) on active markets for identical assets and liabilities (level 1).
- Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the Group's assets and liabilities measured at fair value:

At 30 June 2016	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial assets at fair value through profit or loss (Note 10)	61,713	-	-	61,713
Hedging derivatives (Note 10)	-	27,442	-	27,442
Total assets	**61,713**	**27,442**	-	**89,155**
Liabilities				
Hedging derivatives (Note 10)	-	106,359	-	106,359
Total liabilities	-	**106,359**	-	**106,359**

At 30 June 2015	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through changes in profit and loss (Note 10)	64,371	-	-	64,371
Hedging derivatives (Note 10)	-	34,099	-	34,099
Total assets	**64,371**	**34,099**	**-**	**98,470**
Liabilities				
Hedging derivatives (Note 10)	-	157,103	-	157,103
Total liabilities	**-**	**157,103**	**-**	**157,103**

There were no transfers between levels 1 and 2 during the period.

a) Level-1 financial instruments

The fair value of the financial instruments that are traded on active markets is based on listed market prices at the balance sheet date. A market is considered to be active when the quoted prices are readily and regularly available through a stock market, financial brokers, industry institution, a pricing service or a regulatory entity and those prices reflect current market transactions on an arm's length basis. The quoted market price used for the financial assets held by the Group is the current bid price. These instruments are included in level 1.

a) Level-2 financial instruments

The fair value of financial instruments that are not listed on an active market (e.g., OTC derivatives) is determined by using valuation techniques. The measurement techniques maximize the use of observable market information that is available and are based as little as possible on specific estimates made by the companies. If the significant inputs that are required to calculate the fair value of an instrument are observable, the instrument is included in level 2.

Specific financial instrument valuation techniques include:

Listed market prices or prices established by financial intermediaries for similar instruments.
The fair value of interest rate swaps is calculated as the present value of estimated future cash flows, based on estimated yield curves.

The present value of foreign currency futures is calculated using forward exchange rates at the balance sheet date and discounting the amount obtained.

Other techniques, such discounted cash flow analysis, are used to analyse the fair value of all other financial instruments.

As regards financial instruments, credit risk must be included if fair value measurements, including both counterparty credit risk and the Group's own credit risk where necessary.

Due to the characteristics of the Group's portfolio, credit risk mainly affects the portfolio of financial derivatives designated as cash flow hedges, since they are carried at fair value.

These instruments are special in that their expected fund flows are not pre-determined and change based on the underlying financial variable, so that the calculation of the applicable credit risk, i.e. own or counterparty credit risk, is not intuitive but depends on market conditions at each moment and thus requires quantification using valuation models.

The derivatives contracted by the Group consist of currency futures and commodity futures.

Currency forward transactions consist of buying one currency against the sale of a different currency; the exchange rate is established at the contract date and delivery or settlement takes place in the future, as from the third business day following the contract date.

Listed commodity forward transactions consist of buying or selling a commodity at a future date; the exchange rate is established at the contract date and delivery or settlement takes place in the future, as from the third business day following the contract date.

The effect of credit risk on the measurement of currency and commodity futures will depend on the settlement of the future. If settlement favours the Group, a counterparty credit spread is applied to quantify the probability of default at maturity; if settlement is expected to be negative for the Group, its own credit risk is applied to the Group's final settlement. In order to determine whether the settlement of a future is favourable or adverse for the Group, a stochastic model must be employed to simulate the derivative's behaviour in different scenarios by means of complex mathematical models, based on the volatility of the underlying variable, so as to apply the credit spread resulting from each simulation.

There have been no significant changes in 2016 and 2015 in economic circumstances or the business that affect the fair value of the Group's financial assets and liabilities.

There have been no reclassifications of financial assets or transfers between levels in 2016 or 2015.

6. Seasonality of operations

The Group's activities are not seasonal.

7. Segment information

The Group classifies its operating segments as follows:

- Oil and Gas
- Power
- Infrastructure and Industry

Although the Group’s core business is the provision of engineering and construction services, the abovementioned segment reporting format is presented on the understanding that the attendant business risks and rewards and the specialisation required to complete the projects in these segments, among other differentiating factors, make this segment distinction necessary to provide optimal insight into the business structure. This segmentation additionally reflects the information reviewed by the Board of Directors. The oil and gas segment focuses on EPC services relating to oil and chemicals processing and production operations, and activities relating to the entire natural gas production and extraction value chain, i.e. production, processing, storage and transport. Activities in the refining sector range from the construction of refineries to the revamping and expansion of existing refining plants. Units designed and built include basic refining plants, plant conversions and octane improvement projects. The Group designs and builds auxiliary services and other refining units. Petrochemical activities include the design and construction of plants that produce and process monomers, polymers and plastics, chemical plants and fertiliser units. As regards natural gas, the Group mainly designs and builds units used in the extraction and preliminary processing of natural gas, prior to its use in subsequent processes or preparation for export. The Group is highly specialised in regasification and gas transport facilities.

In the power industry, the Group performs consulting, engineering, supply and construction services for a range of electricity generating plants such as conventional thermal plants, combined cycle power plants, gasification integrated with combined cycle, nuclear plants, co-generators, solar, fuel cells, solid waste and biomass technology. The Group also supplies turnkey plants and, at times, performs plant operation and maintenance (O&M) services. The infrastructure and industry segment executes project work in multiple arenas such as airports, industrial facilities, desalination and water treatment plants as well as initiatives for public authorities and other bodies such as management of car parks, public spaces and municipal sports centres.

The breakdown of ordinary revenue and profits by business segment for the six month periods ended 30 June 2016 and 2015 is as follows:

	Six month period ended 30 June 2016				
	Oil and gas	**Energy**	**Infrastructure and Industries**	**Unallocated**	**Group**
Revenue	2,033,317	197,040	73,582	-	**2,303,938**
Operating profit	129,315	11,481	(4,773)	(43,643)	**92,378**
Net finance income	-	-	-	571	571
Share in profit (loss) of associates	-	-	-	(3,306)	(3,306)
Profit before taxes	**129,315**	**11,481**	**(4,773)**	**(46,378)**	**89,643**
Income tax expense	-	-	-	(23,757)	(23,757)
Profit for the period	**129,315**	**11,481**	**(4,773)**	**(70,135)**	**65,886**

	Six month period ended 30 June 2015				
	Oil and gas	**Energy**	**Infrastructure and Industries**	**Unallocated**	**Group**
Revenue	1,660,363	169,935	53,271	48	**1,883,617**
Operating profit	126,148	9,251	(1,032)	(39,328)	**95,039**
Net finance income	-	-	-	4,333	4,333
Share in profit (loss) of associates	-	-	-	995	995
Profit before taxes	**126,148**	**9,251**	**(1,032)**	**(33,952)**	**100,367**
Income tax expense	-	-	-	(25,293)	(25,293)
Profit for the period	**126,148**	**9,251**	**(1,032)**	**(59,245)**	**75,074**

Revenues by geographic area for the six month periods ended 30 June 2016 and 2015:

	Six month period ended 30 June	
	2016	**2015**
Spain	51,194	50,813
Middle East	787,636	498,234
America	620,913	618,337
Asia	316,640	177,280
Europe	189,662	171,295
Mediterranean	337,893	367,658
Total	**2,303,938**	**1,883,617**

Revenue generated in the Middle East geographic area relates mainly to projects performed in Saudi Arabia, Abu Dhabi, Malaysia and Kuwait; in the Americas area, it mainly includes projects in Canada, Chile, Bolivia, Peru and Mexico; in the Asia area, revenue includes operations in China and Australia; European revenue derives mainly from Russia, Belgium and Finland; and revenue in the Mediterranean area relates basically to Turkey and Algeria, among other nations.

During the first half of 2016 and 2015 there have been no changes in the allocations to assets and liabilities by segment compared with December 2015 and 2014, and relate mainly to the Oil and gas segment.

8. Income tax expense

Income tax expense is recognised based on management's estimates of the average weighted tax rate for the complete financial year. The annual estimated average tax rate for the year at 31 December 2016 is 26.5% (the estimated tax rate for the six month period ended 30 June 2015 was 25.2%).

9. Property, plant and equipment, goodwill and other intangible assets

Movements in this item during the first six months of 2016 and 2015 are as follows:

	Thousands euro		
	Goodwill	**Other intangible assets**	**Property, plant and equipment**
Cost			
Balances at 1 January 2016	**1,242**	**84,253**	**145,146**
Additions	-	1,574	5,119
Disposals and other removals	-	(90)	(2,527)
Other transfers and other movements	-	-	-
Balances at 30 June 2016	**1,242**	**85,737**	**147,738**
Accumulated amortisation/depreciation			
Balances at 1 January 2016	-	**19,694**	**80,966**
Disposals and other removals	-	(90)	(2,527)
Charges to income statement	-	1,651	8,511
Other transfers and other movements	-	-	-
Balances at 30 June 2016	**-**	**21,255**	**86,950**
Net assets			
Balances at 1 January 2016	**1,242**	**64,559**	**64,180**
Balances at 30 June 2016	**1,242**	**64,482**	**60,788**

	Thousands euro		
	Goodwill	Other intangible assets	Property, plant and equipment
Cost			
Balances at 1 January 2015	**1,242**	**76,424**	**116,902**
Additions	-	2,683	8,330
Disposals and other removals	-	-	-
Other transfers and other movements	-	-	-
Balances at 30 June 2015	**1,242**	**79,107**	**125,232**
Accumulated amortisation/depreciation			
Balances at 1 January 2015	**-**	**16,020**	**64,817**
Disposals and other removals	-	-	-
Charges to income statement	-	1,435	6,123
Other transfers and other movements	-	839	1,316
Balances at 30 June 2015	**-**	**18,294**	**72,256**
Net assets			
Balances at 1 January 2015	**1,242**	**60,404**	**52,085**
Balances at 30 June 2015	**1,242**	**60,813**	**52,976**

Other intangible assets mainly records the concession assets operated by the Group.

At 30 June 2016 and 31 December 2015 the Group did not have any significant commitments to acquire assets.

During the first six months of 2016 and 2015 there have been no circumstances that indicate the possible existence of the impairment of goodwill.

10. Financial instruments

a) Financial assets

Financial assets (excluding Trade and other receivables and Cash and cash equivalents) at 30 June 2016 and 31 December 2015 are set out below by nature and measurement category:

	At 30 June 2016 (Thousands euro)			
Financial assets:	**Financial Assets at fair value through profit or loss**	**Available for sale**	**Loans and other accounts receivables**	**Hedging derivatives**
Nature/Category				
Equity instruments	-	1.016	-	-
Derivatives	-	-	-	6.681
Other financial assets	-	-	20.704	-
Long-term/non-current	**-**	**1.016**	**20.704**	**6.681**
Equity instruments	-	-	-	-
Derivatives	-	-	-	20.761
Other financial assets	61.713	-	43.187	-
Short-term / current	**61.713**	**-**	**43.187**	**20.761**
Total financial assets at 06.30.2016	**61.713**	**1.016**	**63.891**	**27.442**

Financial assets:	Financial Assets at fair value through profit or loss	Available for sale	Loans and other accounts receivables	Hedging derivatives
	At 31 December 2015 (Thousands euro)			
Nature/Category				
Equity instruments	-	1.010	-	-
Derivatives	-	-	-	6.273
Other financial assets	-	-	16.093	-
Long-term/non-current	**-**	**1.010**	**16.093**	**6.273**
Equity instruments	-	-	-	-
Derivatives	-	-	-	25.516
Other financial assets	63.198	-	47.476	-
Short-term / current	**63.198**	**-**	**47.476**	**25.516**
Total financial assets at 12.31.2015	**63.198**	**1.010**	**63.569**	**31.789**

The carrying amounts of financial instruments are deemed to approximate their fair value.

a.1) - Measurement adjustments for financial asset impairment

Movements during the first half of 2016 and 2015 in the balance of the asset impairment provisions making up the heading "Trade and other receivables ":

	Thousands euro	
	30 June 2016	**30 June 2015**
Beginning balance in the provision	**13,504**	**12,797**
Charges to income statement:	-	-
Applications	(4)	(429)
Ending balance in the provision	**13,500**	**12,368**

The rest of the financial assets have not become impaired during the first half of 2016 and 2015.

a.2) – Trade and other receivables

Trade receivables includes €1,759,951 thousand (31 December 2015: €1,658,666 thousand) relating to completed work pending billing, measured on the basis of the accounting criteria set forth in Note 2.20 from Consolidated Annual Accounts for the year ended December 31, 2015.

b) Financial liabilities

Financial liabilities (excluding Trade and other payables) at 30 June 2016 and 31 December 2015 are set out below by nature and measurement category:

Financial liabilities	At 30 June 2016 (Thousands euro)	
	Borrowings and payables	Hedging derivatives
Nature/Category		
Bank borrowings	105,860	-
Derivatives	-	4,381
Other financial liabilities	1,183	-
Non-current payables / Non-current financial liabilities	**107,043**	**4,381**
Bank borrowings	76,763	-
Derivatives	-	101,978
Other financial liabilities	45,757	-
Current payables / Current financial liabilities	**122,520**	**101,978**
Total financial liabilities at 06.30.2016	**229,563**	**106,359**

Financial liabilities	At 31 December 2015 (Thousands euro)	
	Borrowings and payables	Hedging derivatives
Nature/Category		
Bank borrowings	157,651	-
Derivatives	-	13,426
Other financial liabilities	1,059	-
Non-current payables / Non-current financial liabilities	**158,710**	**13,426**
Bank borrowings	81,808	-
Derivatives	-	167,225
Other financial liabilities	46,060	-
Current payables / Current financial liabilities	**127,868**	**167,225**
Total financial liabilities at 12.31.2015	**286,578**	**180,651**

The carrying amounts of financial instruments are deemed to approximate their fair value.

c) Financial hedging derivatives

Note 2.21 of the Notes to the Group's consolidated financial statements for the year ended 31 December 2015 indicates the criteria used by the Group for hedging activities. There have been no changes in the criteria during the first half of 2016.

The changes arising during the first half of 2016 the headings Hedging derivatives (current and non-current) relate to changes in the measurement of the derivative financial instruments by the Group. There have been no changes in the measurement techniques in the estimate of the fair value of derivative financial instruments. These measurement techniques are those normally used in the market, and the procedure consists of calculating fair value, discounting the associated future cash flows based on the interest rates, exchange rates, volatility and forward price curves in force at the closing date in accordance with the reports prepared by financial experts.

During the first half of 2015 and 2014 there have been no inefficiencies due to foreign currency hedges.

d) Borrowings

The breakdown of borrowings at 30 June 2016 and 31 December 2015 is as follows:

	At 30 June 2016	At 31 December 2015
Non-current		
Bank borrowings	105,860	157,651
Current		
Bank borrowings	76,763	81,808
Total borrowings	**182,623**	**239,459**

Borrowings totalling €22,720 thousand (2015: €27,006 thousand) fund the construction of concession assets (Note 9), These loans are secured, with the concession assets as collateral.

The amount of lines of credit not drawn down by the Group at 30 June 2016 total €695,339 thousand (€471,085 thousand at 31 December 2015).

11. Equity

Share capital

At 30 June 2016 and at 31 December 2015 the number of authorised ordinary shares is 55,896,000, each with a par value of €0.10 per share. All issued shares and fully paid in and carry equal voting and dividend rights.

At June 30, 2016, the treasury shares represent 3.90% of the share capital of the Parent Company (3.90% at December 31, 2015) and totalling 2,179,299 shares (2,178,374 shares at December 31, 2015).

On 25 June 2014, the General Meeting of Shareholders of the parent company agreed to authorise the purchase of an amount of treasury stock not to exceed the legal limit for a minimum price of 75% of the listed value and a maximum of 120% of the listed value on the transaction date, The authorisation is good for 5 years from the date on which the motion was passed

The parent company has signed a liquidity agreement with Santander Investment Bolsa, Sociedad de Valores, and S,A,U, for the Spanish stock market, the purpose of which is to favour transaction liquidity, The contract was signed for a term of one year, The number of shares in the account associated with the contract is 55,000 and a total of €2,500,000 was deposited in the cash account associated with the contract

All of the shares in Técnicas Reunidas, S.A. are listed on the four Spanish stock exchanges and on the continuous market since 21 June 2006 and form part of the Ibex35 benchmark index.

Dividends reported and paid by the parent company

The breakdown of the dividends reported and paid by the parent company during the first six months of 2016 and 2015 is as follows:

- First half of 2015:

- On 18 December 2015 the Board of Directors approved the payment of 35,830 thousand (€0.667 per share) as the dividend approved and charged against 2015 profits and paid out on 12 January 2016.

- On 29 June 2015, the General Shareholders' Meeting approved the pay-out of a dividend of € 75,000 thousand. On 14 July 2016, a supplementary dividend of € 39,170 thousand (€ 0.729 per share) was paid out, in addition to the interim dividend approved by the Board of Directors on 18 December 2015.

- First half of 2015:

- On 18 December 2014 the Board of Directors approved the payment of 35,846 thousand (€0.667 per share) as the dividend approved and charged against 2014 profits and paid out on 15 January 2015.

- On 25 June 2015, the General Shareholders' Meeting approved the pay-out of a dividend of € 75,000 thousand. On 15 July 2015, a supplementary dividend of € 39,154 thousand (€ 0.729 per share) was paid out, in addition to the interim dividend approved by the Board of Directors on 18 December 2014.

The dividends paid by the parent company during the six month period ended 30 June 2016 and 30 June 2015:

	First half of 2016			**First half of 2015**		
	% par value	**Euro per share**	**Amount (Thousands euro)**	**% par value**	**Euro per share**	**Amount (Thousands euro)**
Ordinary shares	667	0.667	35,830	667	0.667	35,846
Total dividends paid						
a) Dividends charged to profits	667	0.667	35,830	667	0.667	35,846
b) Dividends charged against reserves or share premium	-	-	-	-	-	-
c) Dividends in kind	-	-	-	-	-	-

Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of ordinary shares for the period. The breakdown of these items in the six month periods ended 30 June 2016 and 2015 is as follows:

	At 30 June 2016	**At 30 June 2015**
Profit for the period attributable to owners of the parent	65,705	74,516
Weighted average number of ordinary shares in issue (thousand)	53,716	53,742
Earnings per share (euro)	1.22	1.39

The Company did not record any issues of financial instruments that may dilute earnings per share.

12. Provisions for liabilities and charges

Note 23 of the Notes to the Group's consolidated financial statements for the year ended 31 December 2015 indicates the criteria used by the Group to establish these provisions. There have been no changes in the criteria during the first half of 2016. Movements during the six month periods ended 30 June 2016 and 2015 under the heading Non-current provisions are shown below:

	Six month period ended at 30 June 2015			
ITEM	**Provision for estimated project losses**	**Provision for project completion**	**Other provisions**	**Total provisions for liabilities and charges**
Balance at 01.01.2016	**2,185**	**18,032**	**11,000**	**31,217**
Reversals / Amounts used	-	-	-	-
Amounts provisioned	-	-	2,543	2,543
Balance at 06.30.2016	**2,185**	**18,032**	**13,543**	**33,760**

	Six month period ended at 30 June 2014			
ITEM	**Provision for estimated project losses**	**Provision for project completion**	**Other provisions**	**Total provisions for liabilities and charges**
Balance at 01.01.2015	**3,375**	**22,421**	**11,000**	**36,796**
Reversals / Amounts used	(626)	(4,404)	(8,000)	(13,030)
Amounts provisioned	-	-	-	-
Balance at 06.30.2015	**2,749**	**18,017**	**3,000**	**23,766**

During the first half of 2015 and 2014 there were no significant changes in the provision for current liabilities and charges.

Movements in provisions are reflected as the net amount of the change in the heading Other operating expenses in the consolidated income statement.

13. Related-party transactions

Related-party transactions arising during the Group's normal course of business during the first six months of 2016 and 2015 are as follows:

- Transactions with the Company's shareholders

At 18 May 2016, Técnicas Reunidas, S.A. sold to the owner of 5.096% capital of the parent Company of the Group (Aragonesas Promoción de Obras y Construcciones, S.L.U.), its investment in Sociedad Layar Castilla, S.A. for a sum of €4,085 thousand. This operation generated a profit posted in the Consolidated Condensed Interim Income Statement of €2,862 thousand.

During the first six months of 2015 no transactions were carried out with Company shareholders.

- Transactions carried out with Group Directors and executives

During the first six months of 2016 and 2015, no transactions were carried out with Group Directors and executives.

Information relating to the compensation and other benefits for the Parent Company's Board of Directors is included in Note 14.

- Transactions carried out with related companies

Part not eliminated in the consolidation process of the transactions with Group companies.

14. Compensation and other benefits for the Parent Company's Board of Directors and Senior Management

a) Board of Directors' compensation

The breakdown of the compensation received by the members of the Parent Company's Board of Directors in the six month periods ended 30 June 2015 and 2014 is as follows:

	Thousands euro	
	30 June 2016	**30 June 2015**
Compensation		
Fixed compensation	707	415
Variable compensation	787	350
Per diems	628	551
Other Services	-	119
Total:	**2,122**	**1,435**
Other benefits		
Life insurance premiums	21	4
Total other benefits:	**21**	**4**

b) Executive compensation

Remuneration paid to senior management personnel during the six-month period ended 30 June 2016 totalled €4,008 thousand (€ 2,602 thousand at 30 June 2015).

Advances: No advances were granted to senior management during the first six months of 2016 and 2015.

15. Average number of employees

The Group's average payroll for the first six months of 2016 and 2015, broken down by category and gender, is as follows:

	Average payroll for the six month period ended 30 June					
	2016			2015		
	Men	Women	Total	Men	Women	Total
Directors and senior executives	21	3	24	21	2	23
Engineers and university graduates	2,871	1,637	4,508	2,733	1,482	4,215
Technical engineers, experts and skilled assistants	1,283	535	1,818	1,245	485	1,730
Administrative managers	1,222	472	1,694	1,200	449	1,649
Unskilled assistants	215	338	553	137	282	419
Other categories	498	164	662	441	148	589
TOTAL	**6,110**	**3,149**	**9,259**	**5,777**	**2,848**	**8,622**

16. Other information

- Contingencies and guarantees provided

Note 32 of the notes to the consolidated financial statements for the year ended 31 December 2015 provides information regarding contingencies and guarantees provided at that date. At 30 June 2016, the Group has provided guarantees to third parties totalling €4,029,400 thousand (31 December 2015: €4,270,073 thousand). Group management considers that the provisions recorded in these financial statements at 30 June 2016 reasonably cover the risks relating to litigation, arbitration and claims, without any additional liabilities expected to arise.

On 28 of June of 2014, the Tax Regulator informed Tecnicas Reunidas, S.A., as parent company of the tax group, the commencement of the corporate income tax audit for the years 2008 to 2011.

On 15 of June of 2015, the Company received a settlement proposal up to 136.2 million euros plus interest signed with disagreement. The settlement is based on the discrepancies between the Company and the Tax Regulator on the criteria underlying the transfer pricing studies of the Group.

On 10 of July of 2015, the settlement proposal was challenge in reinstatement to the Tax Office with unfavorable outcome. The company will present administrative appeal to the Tax Office against the aforementioned resolution.

On the date of preparation of these Consolidated Condensed Interim Financial Statements, the Group expectation is that the Central Economic Administrative Court (TEAC) will soon communicate the file contents to begin the allegations period at that stage.

According to Management and its tax advisor, their conclusion is that it is unlikely that the Company will have to satisfy the amount of the settlement proposal. Management believes that there are technical arguments to support Tecnicas Reunidas criteria, with higher options after the administrative appeal. The judgment of Tecnicas Reunidas are based on the right to the exemption of the UTES used by the Tecnicas Reunidas to operate abroad, that was recognized in the settlement with the Tax Regulator signed with agreement in 2010. In addition, this settlement includes the definitions for the intragroup transactions model that Tecnicas Reunidas used to develop their new transfer-pricing model with the support of their tax advisor. In addition to the technical arguments, it is very important to highlight that the transfer-pricing model currently inspected have been developed based on the points made by the Tax Regulator as per the settlement signed with agreement in 2010.

Therefore, Management has considered that it is not necessary to book an accrued liability.

On the date of preparation of these Consolidated Condensed Interim Financial Statements, the Company did not make any payment concerning the settlement proposal signed with disagreement. The Company has presented guarantees amounting up to 136.2 million euros plus 28.6 million euros related to the interest.

The tax inspection has been extended to VAT for the years 2012 and 2014. The Group has also the exercises 2012-2015 open to inspection, of any other main taxes applicable.

The Group is party to certain legal disputes in the ordinary course of its business activities (with customers, suppliers, employees or administrative and tax authorities). The Group's external legal advisors consider that the outcome of the disputes will not significantly affect the Group's financial situation.

The most significant dispute relates to the project of Sines, in Portugal. The arbitration process is still in its early stages, with cross-claims between Tecnicas Reunidas and the client related to the responsibilities of each party in relation to different delays. Likewise, the client is claiming production losses caused by fraud. However, the plant was received and accepted with the client´s satisfaction and was paid in full. The client returned also the good performance warranties to TR. Therefore, the Group's Management and its legal counsel conclude that there is a high probability of success on TR claims and a remote likelihood of significant liabilities for them, not observing any financial effect.

On the other hand, in the project of Hellenic, in Greece, Tecnicas Reunidas initiated an arbitration process in order to claim a pending account receivable of 18 million euros related to an EPCM project completed in 2013. The client has subsequently contravened TR claim. Group's Management has evaluated that there is no insolvency risk of the client.

17. Events after the end of the reporting period

Between the closing date of the six month period ended 30 June 2016 and the date these Interim Period Financial Statements were approved, no significant event took place.

CONSOLIDATED INTERIM REPORT TECNICAS REUNIDAS, S.A.
First half of 2016

1. Business evolution

1.1 Business evolution in the first half of 2016

Tecnicas Reunidas, TR, earned an operating profit in the first half of 2016 of 92.4 million euros, 2.8% lower than that achieved in S1 2015. During this period, revenue amounted to 2,303.9 million of euros, an improvement of 22.3% over the same period last year, driven by a large volume of orders that provides visibility growth for the next years of implementation.

Of the total revenue, 88% related to Oil and Gas projects, which still account for the majority of the Group's turnover, due above all to opportunities in the refining area; 9% derived from Energy generation projects; and 3% from the Infrastructures and Industries area.

During this period, the new contracts proceeded both traditional markets such as the case of Mexico, as new opportunities for geographic diversification, as the case of Finland.

1.2 Evolution of business areas in the first half of 2016

Each of TR's business areas performed as described below:

Oil and gas

In the first half of 2016, the turnover of the division of oil and natural gas amounted to 2,033 million euros. This area encompasses refining, petrochemicals and commissioning oil and gas fields for production.

The oil and gas division continues to be TR's most significant business area. In the first half of 2016, it accounted for 88% of the Group's sales.

The most relevant new contracts secured during the period were as follows:

Project MINATITLÁN in México

In March, Pemex Transformación Industrial awarded to Tecnicas Reunidas the contract to execute package 2 of the project ultra low sulfur diesel at the General Lazaro Cardenas refinery in Minatitlan, Mexico, for an amount of about USD 800 million.

The scope of this phase includes engineering, procurement, construction and commissioning of two new refining units, hydro-desulphurization diesel and sulfur recovery plant, as well as modifications to an existing hydro-desulphurization unit plus related ancillary services and integration of facilities outside the battery limits for these plants.

This project is part of the plans of development and modernization that Pemex Transformation Industrial will carry out, with investments worth USD 5,500 million as part of "Project Quality Fuels" at its refineries across the country to produce and supplying diesel with a maximum sulfur content of 15 parts per million (ppm), which represents a reduction of 97% to meet environmental standards. Air quality will be improved by reducing emissions of greenhouse gases by more than 12,000 tons per year.

These works will produce a very positive impact in areas where the refineries are located, generating about 12,000 direct jobs and 31,000 indirect jobs.

The contract started as open book form and takes place in two stages. The first one, for approximately $ 50 million, was awarded to TR in September 2014 and included the implementation of an extended basic design (FEED), detailed estimate of the cost of the investment and the purchase of some equipment with long delivery time.

The second phase is the awarded nowadays and is about implementing the project on a turnkey form, including detailed engineering, supply of equipment and materials, construction and commissioning, with an estimated fee of USD 800 million and an execution period of 36 months.

Project execution

During the first six months of 2016, the projects that more develope experimented were: [downstream] Petroperu Talara refinery in Peru, RAPID refinery for Petronas in Malaysia, STAR refinery for SOCAR in Turkey, Jazan refinery for Saudi Aramco in Saudi Arabia and Minatitlán refinery for Pemex in Mexico; [upstream and gas] Fadhili proyect for Saudi Aramco in Saudi Arabia, GT5 proyect for KNPC in Kuwait, IGCC proyect for Saudi Aramco in Saudi Arabia, Gasco proyect in EAU and Touat proyect for DGF Suez / Sonatrach in Algeria.

Otherwise, the company completed construction of the following projects: the Petrokemya petrochemical project for Sabic in Saudi Arabia, the petrochemical project KEMYA for Sabic / ExxonMobil in Saudi Arabia, the refining project Volgogrado to Lukoil in Russia, the chemical project NAT for Yara in Australia, refining units for YPFB Refinación in Bolivia and the upstream proyect about improvements for CNRL in Canada.

Energy, infrastructures and industries

Sales in the area of energy and infrastructure and industries were 271 million euros during the first half of 2016. This amount represents an increase of 12% over the previous year due to the contribution of the projects awarded in 2014.

The most relevant new contracts secured during the period were as follows:

Project Kilpilahti en Finlandia

Kilpilahti Power Plant Ltd. it is owned by Neste (40%), Veolia (40%) and Borealis (20%), and awarded in March to Tecnicas Reunidas the execution of the contract for design and construction of a new electricity and steam generating plant that will supply Neste's refinery and petrochemical complex of Borealis in Porvoo, Finland.

Generation plant comprises three steam generators with a total capacity of 600 t/h and a steam turbine of 40 MW. The main steam generation system is based on a boiler circulating fluidized bed (CFB) that will use asphaltene as main fuel and two conventional boilers with various liquid and gaseous fuels available at the refinery. The facility will comply with the latest standards in environmental regulations, including the Industrial Emissions Directive (IED) of the European Commission.

The total investment is around € 400 million, of which € 270 million related to the contract with Tecnicas Reunidas, which covers engineering, procurement, construction and commissioning of the facility. It is expected that the plant will go into production during mid-2018.

For TR this is the first project in Finland which expands the company's presence in the Nordic countries after the award of a nitric acid plant in 2014 by Yara in Norway.

Project execution

During the first six months of 2016, the projects that more develope experimented were: electricity generation plant Kilpilahti for Neste, Veolia and Borealis in Finland, the combined cycle Los Mina for AES Dominicana in the Dominican Republic and the coal plant Turow for Polska Grupa Energetycyna in Poland.

2. Main risks and uncertainties for the second half of 2016

TR's business is subject to various risks associated with activities in its sector, including raw material price volatility, which affects the prices of equipment and supplies, the capacity of its suppliers to meet orders, reducing liquidity of our customers, emergence of new competitors, availability of engineering, construction and assembly resources, currency market volatility, cuts of demand or excess supply of oil and gas, as well as geopolitical risks in markets where it is operating and even extraordinary circumstances that currently is not possible to predict.

Like any other international business, the company is exposed to global economic circumstances or the local market ones. The international financial crisis slows the award and the starting of the projects, requiring longer terms for the financing of certain projects.

CONSOLIDATED INTERIM REPORT TECNICAS REUNIDAS, S.A.
First half of 2016

The long period of low oil prices being experienced by the sector since the second half of 2014 continues influencing profitability studies for new investments. Excessive production accentuated by the production of shale oil in the US and the maintenance of OPEC production and the lifting of sanctions to Iran, causes uncertainty about the market and oil prices.

Geopolitical conflicts affecting countries with activity or influence in the energy sector, can influence the evolution of the group's activity, as experienced in 2015 with sanctions to Russia or the political and social instability that is living Turkey recently.

Therefore, Tecnicas Reunidas plays a committed risk management, throughout the progress of project implementation; both new contracts, and those whose delivery will take place this year, or are still under warranty.