



TECNICAS REUNIDAS

FIRST HALF RESULTS

January – June 2016

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1. HIGHLIGHTS

1H 2016 Main Highlights

- Order intake at € 1.0 billion
- Backlog at € 10.7 billion, +18% over 1H 2015
- 22% growth in sales to € 2.3 billion
- Operating profit at € 92 million and net profit at € 66 million
- Solid balance sheet with a net cash position of € 521 million, as of June 30th, 2016
- 2015 dividend paid in 2016: € 75 million

2016 Guidance

- Sales will increase to the range of € 4.3 billion to € 4.6 billion (from 2015 record level).
- EBIT margin levels will be around 4%.
- Commitment to steady dividend distribution.

First half 2016 results are in line with our 2016 guidance. Sales of the company grew by 22% to € 2.3 billion. EBIT stood at € 92 million, with an Operating Margin of 4%, in line with company guidance, and Net Profit stood at € 66 million. At 30th of June, 2016, Net Cash Position was € 521 million.

The crisis in the oil sector has impacted capital investments worldwide with the sharpest reduction over the last thirty years. However, Técnicas Reunidas (TR) managed to increase its backlog in 2014 and 2015 and maintain a strong backlog in the first half of 2016, at € 10.7 billion, which guarantees future growth.

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

“The company made a quantum leap over the last two years in terms of volumes, with almost a 50% increase in sales, when comparing first half of 2016 with first half of 2014. This achievement was possible because of a strong order intake, despite the deep crisis in the oil sector.

Moreover, the company is very confident in the quality of its current backlog, which is based in known technologies, with recurrent clients and in countries that we know well.

In the short and medium term, we are focused in successfully executing this backlog in a difficult environment, with efficiency, cost control, cash discipline and strengthening risk identification and project management procedures.

In terms of delivery, the challenge this year has been the execution of the Upgrader Project in Canada. Técnicas Reunidas is already working together with CNRL, finalising pre-commissioning activities and consequently, handing over the last systems. The rest of the projects to be delivered this year, are in pre-commissioning, or already in operation.

Our bidding pipeline is also in good shape. It is highly concentrated in the Middle East, where planned investments have strong fundamentals, despite the worldwide contraction in oil and gas investments. Moreover, the power division is close to sign a contract of an important investment in the UK.

In conclusion, we feel highly confident in Técnicas Reunidas overall outlook for 2016 and onwards.”

| HIGHLIGHTS January - June | 1H 2016 € million | 1H 2015 € million | Var. % | Year 2015 € million |
|------------------------------|----------------------|----------------------|-----------|------------------------|
| Backlog | 10,652 | 9,032 | 18% | 12,136 |
| Net Revenues | 2,304 | 1,884 | 22% | 4,188 |
| EBITDA | 103 | 103 | 0% | 105 |
| Margin | 4.5% | 5.4% | | 2.5% |
| EBIT | 92 | 95 | -3% | 86 |
| Margin | 4.0% | 5.0% | | 2.1% |
| Net Profit | 66 | 75 | -12% | 60 |
| Margin | 2.9% | 4.0% | | 1.4% |
| Net Cash Position | 521 | 436 | 19% | 533 |

2. BACKLOG

| | Project | Country | Client | Estimated Delivery |
|----------------------------|--------------------------------|----------------------|-----------------------------------|--------------------|
| Refining and Petrochemical | 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 |
| | Sturgeon refinery | Canada | North West Redwater Partnership | 2017 |
| | Star refinery | Turkey | SOCAR | 2017 |
| | Jazan refinery | Saudi Arabia | Saudi Aramco | 2017 |
| | Antwerp refinery | Belgium | Total | 2016 |
| | Sadara | Saudi Arabia | Saudi Aramco/Dow Chemical | 2016 |
| | TAN project* | Australia | Yara Int./Orica Lim./Apache Corp. | - |
| Volgograd refinery* | Russia | Lukoil | - | |
| Upstream & Gas | Fadhili | Saudi Arabia | Saudi Aramco | 2019 |
| | GT5 | Kuwait | KNPC | 2019 |
| | GASCO | United Arab Emirates | ADNOC / Total / Shell | 2018 |
| | Hail Field Development | United Arab Emirates | ADOC | 2017 |
| | Jazan IGCC | Saudi Arabia | Saudi Aramco | 2017 |
| | Touat gas field | Algeria | GDF Suez / Sonatrach | 2017 |
| | Oil sands | Canada | Canadian Natural Resources | 2016 |
| Power | Turów | Poland | Polska Grupa Energetyczna | 2019 |
| | 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 | 2016 | |

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

Backlog as of June, 30th 2016

At the end of June 2016, Técnicas Reunidas' backlog stood at € 10,652 million, compared with € 9,032 at the end of June 2015, a 18% increase year on year.

Oil and Gas projects accounted for 96% of the total backlog, while the Power division accounted for 4%.

1H 2016 order intake amounted to € 1,014.8 million. This includes the Minatitlan refining project for Pemex in Mexico and the Kilpilahti electricity generation project for Neste / Veolia / Borealis in Finland. In the second quarter, the power division has been nominated by MGT Teesside Limited as preferred contractor for the execution of a biomass power plant in the United Kingdom. The value of Técnicas Reunidas scope will be around € 500 million. The company expects to receive the final Notice to Proceed in the next weeks.

3. CONSOLIDATED INCOME STATEMENT

| CONSOLIDATED INCOME STATEMENT January - June | 1H 2016 € million | 1H 2015 € million | Var. % | Year 2015 € million |
|---|----------------------|----------------------|---------------|------------------------|
| Net Revenues | 2,303.9 | 1,883.6 | 22.3% | 4,187.9 |
| Other Revenues | 3.9 | 4.2 | | 7.5 |
| Total Income | 2,307.8 | 1,887.8 | 22.2% | 4,195.4 |
| Raw materials and consumables | -1,628.8 | -1,252.3 | | -3,019.9 |
| Personnel Costs | -296.7 | -277.3 | | -543.9 |
| Other operating costs | -279.8 | -255.6 | | -526.3 |
| EBITDA | 102.5 | 102.6 | -0.1% | 105.3 |
| Amortisation | -10.2 | -7.6 | | -19.3 |
| EBIT | 92.4 | 95.0 | -2.8% | 86.0 |
| Financial Income/ expense | 0.6 | 4.3 | | 1.5 |
| Share in results obtained by associates | -3.3 | 1.0 | | -5.2 |
| Profit before tax | 89.6 | 100.4 | -10.7% | 82.3 |
| Income taxes | -23.8 | -25.3 | | -22.2 |
| Net Profit | 65.9 | 75.1 | -12.2% | 60.2 |

3.1 REVENUES

| REVENUES BREAKDOWN January - June | 1H 2016 € million | % | 1H 2015 € million | % | Var. % | Year 2015 € million |
|--------------------------------------|----------------------|--------------|----------------------|--------------|--------------|------------------------|
| Oil and gas | 2,033.3 | 88.3% | 1,660.4 | 88.1% | 22.5% | 3,744.4 |
| Power | 197.0 | 8.6% | 169.9 | 9.0% | 16.0% | 320.8 |
| Infrastructure and industries | 73.6 | 3.2% | 53.3 | 2.8% | 38.0% | 122.7 |
| Net Revenues | 2,303.9 | 100% | 1,883.6 | 100% | 22.3% | 4,187.9 |

In 1H 2016, net revenues rose by 22.3% to € 2,303.9 million, due to the strong backlog achieved by the company.

Oil and Gas: Sales of this division went up 22.5% and reached € 2,033.3 million in 1H 2016. Oil and Gas revenues represented the vast majority of total sales, supported by the Refining and Petrochemical business, as the largest contributor.

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

Power: Revenues of the power division went up 16% to € 197.0 million in 1H 2016. This Kilpilahti electricity generation project for Neste / Veolia / Borealis (Finland) and the Los Mina CCGT for AES Dominicana (Dominican Republic), were the largest contributors to sales.

Infrastructure and Industries: In 1H 2016 revenues of this division improved by 38.0% to € 73.6 million. The largest contributors to the division sales were mainly the water treatment projects awarded in previous years.

3.2 OPERATING AND NET PROFIT

| OPERATING AND NET PROFIT January - June | 1H 2016 € million | 1H 2015 € million | Var. % | Year 2015 € million |
|--|----------------------|----------------------|-----------|------------------------|
| EBITDA | 102.5 | 102.6 | -0.1% | 105.3 |
| Margin | 4.5% | 5.4% | | 2.5% |
| EBIT | 92.4 | 95.0 | -2.8% | 86.0 |
| Margin | 4.0% | 5.0% | | 2.1% |
| Net Profit | 65.9 | 75.1 | -12.2% | 60.2 |
| Margin | 2.9% | 4.0% | | 1.4% |

| EBIT BREAKDOWN January - June | 1H 2016 € million | 1H 2015 € million | Var. % | Year 2015 € million |
|----------------------------------|----------------------|----------------------|--------------|------------------------|
| Operating Profit from divisions | 136.0 | 134.4 | 1.2% | 167.0 |
| Costs not assigned to divisions | -43.6 | -39.3 | 11.0% | -80.9 |
| Operating profit (EBIT) | 92.4 | 95.0 | -2.8% | 86.0 |

| Financial Income/Expense January - June | 1H 2016 € million | 1H 2015 € million | Year 2015 € million |
|--|----------------------|----------------------|------------------------|
| Net financial Income * | -0.8 | 2.2 | 1.1 |
| Gains/losses in transactions in foreign currency | 1.4 | 2.1 | 0.4 |
| Financial Income/Expense | 0.6 | 4.3 | 1.5 |

* Financial income less financial expenditure

1H 2016 EBIT was € 92.4 million, with a 4% operating margin, in line with company guidance.

Net profit was € 65.9 million, 12% lower than 1H 2015, impacted by a smaller financing Income:

- Financial Income decreased from € 4.3 million in 1H 2015 to € 0.6 million in the 1H 2016. This reduction was mainly due to lower gains in transaction in foreign currency and lower returns from net cash.

In 1H 2016, the company income tax was € 23.8 million, which represents an effective tax rate of 26.6%.

4. CONSOLIDATED BALANCE SHEET

| CONSOLIDATED BALANCE SHEET June 30 | 1H 2016 € million | 1H 2015 € million | Year 2015 € million |
|---------------------------------------|----------------------|----------------------|------------------------|
| ASSETS: | | | |
| Non-current Assets | | | |
| Tangible and intangible assets | 126.5 | 115.0 | 130.0 |
| Investment in associates | 0.2 | 15.7 | 4.9 |
| Deferred tax assets | 175.3 | 110.0 | 186.7 |
| Other non-current assets | 28.4 | 18.7 | 23.4 |
| | 330.4 | 259.4 | 345.0 |
| Current assets | | | |
| Inventories | 21.2 | 21.6 | 21.7 |
| Trade and other receivables | 2,524.0 | 1,907.7 | 2,401.5 |
| Other current assets | 63.9 | 52.3 | 73.0 |
| Cash and Financial assets | 703.8 | 539.3 | 772.0 |
| | 3,312.9 | 2,520.9 | 3,268.3 |
| TOTAL ASSETS | 3,643.3 | 2,780.3 | 3,613.2 |
| EQUITY AND LIABILITIES: | | | |
| Equity | 437.2 | 442.0 | 397.5 |
| Non-current liabilities | | | |
| Financial Debt | 105.9 | 22.2 | 157.7 |
| Other non-current liabilities | 24.8 | 60.3 | 29.9 |
| Long term provisions | 33.8 | 23.8 | 31.2 |
| Current liabilities | | | |
| Financial Debt | 76.8 | 80.7 | 81.8 |
| Trade payable | 2,728.5 | 1,895.8 | 2,611.3 |
| Other current liabilities | 236.4 | 255.5 | 303.8 |
| | 3,041.7 | 2,232.1 | 2,996.9 |
| Total liabilities | 3,206.1 | 2,338.4 | 3,215.7 |
| TOTAL EQUITY AND LIABILITIES | 3,643.3 | 2,780.3 | 3,613.2 |

| EQUITY June 30 | 1H 2016 € million | 1H 2015 € million | Year 2015 € million |
|---|----------------------|----------------------|------------------------|
| Shareholders' funds + retained earnings | 566.6 | 601.7 | 597.0 |
| Treasury stock | -74.3 | -76.4 | -74.2 |
| Hedging reserve | -58.9 | -86.8 | -93.2 |
| Interim dividends | 0.0 | 0.0 | -35.8 |
| Minority Interest | 3.9 | 3.5 | 3.7 |
| EQUITY | 437.2 | 442.0 | 397.5 |

| NET CASH POSITION June 30 | 1H 2016 € million | 1H 2015 € million | Year 2015 € million |
|---|-----------------------------|-----------------------------|-------------------------------|
| Current assets less cash and financial assets | 2,609.1 | 1,981.6 | 2,496.2 |
| Current liabilities less financial debt | -2,964.9 | -2,151.4 | -2,915.1 |
| COMMERCIAL WORKING CAPITAL | -355.8 | -169.8 | -418.9 |
| Financial assets | 61.7 | 64.4 | 63.2 |
| Cash and cash equivalents | 642.1 | 474.9 | 708.8 |
| Financial Debt | -182.6 | -103.0 | -239.5 |
| NET CASH POSITION | 521.2 | 436.3 | 532.6 |
| NET CASH + COMMERCIAL WORKING CAPITAL | 165.4 | 266.5 | 113.7 |

- At the end of June 2016, Equity of the company was € 437.2 million, higher than the level as of December 2015, favoured by an improvement in hedging reserves.
- The net cash position closed at € 521.2 million, 19% up compared to June 2015 and in line with company expectations.
- In December 2015, the Board of Directors approved an interim dividend of € 0.667 per share (€ 35.8 million) out of 2015 results, which was paid on 12th of January 2016. In February, the company announced a complementary dividend of € 0.7289 per share (€ 39.2 million) out of 2015 results, which was paid on 14th July 2016. Consequently, total dividends paid in 2016 out of 2015 results, were € 75 million which represents the same absolute amount, compared to the dividends paid in 2015.

ANNEX: FILINGS WITH CNMV RELEVANT EVENTS AND OTHER COMMUNICATIONS

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

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

| SUMMARY | | | |
|-----------------|------------|---------------|-------------------|
| | Shares | Net Value (€) | Average price (€) |
| Opening account | 81,400 | 1,383,926 | |
| Purchases | 1,648,193 | -45,194,245 | 27.42 |
| Sales | -1,649,168 | 45,185,946 | 27.39 |
| Final account | 80,425 | 1,375,627 | |

- In accordance with the resolution approved at the Annual General Meeting (AGM), the company filed with the CNMV a communication on the final 2015 dividend payment. In February, the Board of Directors decided to propose to the AGM the distribution of a total dividend of € 75 million (1.3959 Euros per share), out of 2015 results.

On 14th July, the company distributed a complementary dividend of € 39.2 million among the shares not held as Treasury Stock amounting to € 0.7289 per share.