



**TECNICAS REUNIDAS**

**FIRST HALF RESULTS**

**January – June 2016**

**CONTENTS:**

- 1. Highlights**
- 2. Backlog**
- 3. Consolidated Income Statement**
- 4. Consolidated Balance Sheet**

**ANNEX: Filings with CNMV**

## 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 30<sup>th</sup>, 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, 30<sup>th</sup> 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
<b>Net Revenues</b>	<b>2,303.9</b>	<b>1,883.6</b>	<b>22.3%</b>	<b>4,187.9</b>
Other Revenues	3.9	4.2		7.5
<b>Total Income</b>	<b>2,307.8</b>	<b>1,887.8</b>	<b>22.2%</b>	<b>4,195.4</b>
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
<b>EBITDA</b>	<b>102.5</b>	<b>102.6</b>	<b>-0.1%</b>	<b>105.3</b>
Amortisation	-10.2	-7.6		-19.3
<b>EBIT</b>	<b>92.4</b>	<b>95.0</b>	<b>-2.8%</b>	<b>86.0</b>
Financial Income/ expense	0.6	4.3		1.5
Share in results obtained by associates	-3.3	1.0		-5.2
<b>Profit before tax</b>	<b>89.6</b>	<b>100.4</b>	<b>-10.7%</b>	<b>82.3</b>
Income taxes	-23.8	-25.3		-22.2
<b>Net Profit</b>	<b>65.9</b>	<b>75.1</b>	<b>-12.2%</b>	<b>60.2</b>

### 3.1 REVENUES

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

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
<b>Operating profit (EBIT)</b>	<b>92.4</b>	<b>95.0</b>	<b>-2.8%</b>	<b>86.0</b>

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
<b>Financial Income/Expense</b>	<b>0.6</b>	<b>4.3</b>	<b>1.5</b>

\* 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
<b>ASSETS:</b>			
<b>Non-current Assets</b>			
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
	<b>330.4</b>	<b>259.4</b>	<b>345.0</b>
<b>Current assets</b>			
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
	<b>3,312.9</b>	<b>2,520.9</b>	<b>3,268.3</b>
<b>TOTAL ASSETS</b>	<b>3,643.3</b>	<b>2,780.3</b>	<b>3,613.2</b>
<b>EQUITY AND LIABILITIES:</b>			
<b>Equity</b>	<b>437.2</b>	<b>442.0</b>	<b>397.5</b>
<b>Non-current liabilities</b>			
Financial Debt	105.9	22.2	157.7
Other non-current liabilities	24.8	60.3	29.9
<b>Long term provisions</b>	<b>33.8</b>	<b>23.8</b>	<b>31.2</b>
<b>Current liabilities</b>			
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
	<b>3,041.7</b>	<b>2,232.1</b>	<b>2,996.9</b>
<b>Total liabilities</b>	<b>3,206.1</b>	<b>2,338.4</b>	<b>3,215.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,643.3</b>	<b>2,780.3</b>	<b>3,613.2</b>

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
<b>EQUITY</b>	<b>437.2</b>	<b>442.0</b>	<b>397.5</b>

<b>NET CASH POSITION</b> June 30	<b>1H 2016</b> € million	<b>1H 2015</b> € million	<b>Year 2015</b> € 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
<b>COMMERCIAL WORKING CAPITAL</b>	<b>-355.8</b>	<b>-169.8</b>	<b>-418.9</b>
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
<b>NET CASH POSITION</b>	<b>521.2</b>	<b>436.3</b>	<b>532.6</b>
<b>NET CASH + COMMERCIAL WORKING CAPITAL</b>	<b>165.4</b>	<b>266.5</b>	<b>113.7</b>

- 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 14<sup>th</sup> 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 14<sup>th</sup> 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.