



**TECNICAS REUNIDAS**

**FULL YEAR RESULTS**

**January – December 2015**

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**2015 Annual accounts audited by Price Waterhouse Coopers**

## 1. HIGHLIGHTS

### 2015 Main Highlights

- Strong order intake at € 6.7 billion
- Backlog at € 12.1 billion, +44% over end 2014
- 33% growth in sales to € 4.2 billion
- Operating profit at € 86 million and net profit at € 60 million
- Solid balance sheet with a net cash position of € 533 million, as of December 31<sup>st</sup>, 2015

### 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.

Full Year 2015 Results are in line with our trading statement of 15th of February 2016. The global turmoil in the oil and gas sector is impacting capital investments worldwide in an unseen level over the last thirty years. However, Técnicas Reunidas (TR) managed to increase its backlog by 44% to a new high of € 12.1 billion at December, 31, 2015. The Order intake of € 6.7 billion includes relevant projects for major customers in regions and technologies well known by Técnicas Reunidas. The Sales of the company grew by 33% to € 4.2 billion. However, EBIT and Net profit were impacted by one-off incremental cost from the Upgrader Project in Alberta Canada, as described in our recent trading statement. In the last quarter, cash increased by more than 50% to € 533 million.

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

*“In 2015, we have delivered the projects of Tüpras, Lukoil, Shah Gas, Total, Gran Chaco, Petrokemya, Kemya and the first units of Sadara, adding altogether almost USD 7 billion. All these projects have been successfully executed for our clients, thus contributing to enhance the prestige of our franchise among major customers who keep choosing Técnicas Reunidas for their most relevant investments.*

*Regarding the execution of the Upgrader Project for Canadian Natural Resources (CNRL), we have committed to finish the project within the terms agreed in the contract. The impact of the one-off incremental costs of this project has been booked in 2015 and we have put in place the measures required to deliver the plant to CNRL next June 2016.*

*Even in the current oil price scenario, Técnicas Reunidas has been awarded € 6.7 billion in new projects. The strong backlog ensures the visibility of revenues in 2016 and 2017.*

*Also, we are very confident in the health of this backlog. Currently, more than 60% of our backlog is in the Middle East, a region that we know very well, and with customers and technologies which we feel comfortable.*

*We will keep our selective approach to bidding, targeting profitable projects in which we can add value to our customers. In this challenging market conditions, we will take advantage of our recognized engineering and project management capabilities to help our clients to optimize and be more efficient in their investments.*

*Our diversified platform of geographies and products increasingly allows us to opt to more opportunities and maintain our strategic focus on profitable growth for the benefit of our stakeholders.”*

## 2. BACKLOG

	Project	Country	Client	Estimated Delivery
Refining and Petrochemical	Al Zour refinery	Kuwait	KNPC	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
	Refining units Cochabamba and Santa Cruz	Bolivia	YPFB Refinación S.A.	2016
	Minatitlán refinery	Mexico	Pemex	2016
	Sadara	Saudi Arabia	Saudi Aramco/Dow Chemical	2016
	TAN project	Australia	Yara Int./Orica Lim./Apache Corp.	2016
	Volgograd refinery*	Russia	Lukoil	-
	Kemya*	Saudi Arabia	Sabic/Exxon Mobil	-
Petrokemya*	Saudi Arabia	SABIC	-	
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
	Oil sands	Canada	Canadian Natural Resources	2016
	Perla Offshore	Venezuela	Repsol/Eni	2016
Touat gas field	Algeria	GDF Suez / Sonatrach	2016	
Power	Turów	Poland	Polska Grupa Energetyczna	2019
	Fort Hills	Canada	Suncor/Total/Teck	2017
	Nodo Energetico del Sur	Peru	Enersur	2016
	Los Mina	Dominican Republic	AES Dominicana	2016
	Ashuganj	Bangladesh	Ashuganj Power Station Company	2016

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

### Backlog as of December, 31<sup>st</sup> 2015

At the end of December 2015, Técnicas Reunidas' backlog reached a new high of € 12,136 million, compared with € 8,412 at the end of 2014 and which represents a 44% increase year on year.

The Oil and Gas projects accounted for 97% of the total backlog, while the Power division accounted for 3%.

Full Year 2015 order intake was € 6,662 million, the largest level of awards ever signed by TR. The main projects awarded during the year were the following:

- The Fadhili project for Saudi Aramco in Saudi Arabia.
- The GT5 project for KNPC in Kuwait
- The Al Zour refinery for KNPC in Kuwait
- The gas project for GASCO in Abu Dhabi
- The Hail field development for ADOC in Abu Dhabi
- The petrochemical EP project for Sasol in US

### **Fourth quarter awards**

- Técnicas Reunidas was awarded a contract by the multinational company Sasol for the execution of the ethoxylation (ETO) and guerbet alcohol plants that will be located in Sasol's ethane cracker complex in Westlake, Louisiana. This is an engineering and procurement contract, with construction support, for the two plants. The value of the contract is approximately € 150 million and the construction of the plants will take 30 months.
- Abu Dhabi Oil Company Limited (ADOC), awarded Técnicas Reunidas a new contract for the early production facilities in the Mubarraz island and its surroundings in Abu Dhabi. The contract was awarded on a lump sum turnkey basis for an approximate value of USD 310 million with an execution schedule of 20 months. The project involves onshore works to be developed in the islands of Mubarraz and Hail, and offshore works which include the installation of three subsea pipelines along with the installation of a composite cable interconnecting both islands.
- Saudi Aramco awarded Técnicas Reunidas the execution of two turnkey contracts for the FADHILI gas plant. The projects will be developed near Al Jubail, the largest industrial centre in Middle East. TR will be responsible for all detailed engineering, the procurement and supply of equipment and materials, the construction of the plants and the assistance during the commissioning. The package No.1, involves the facilities and gas processing and the value of the contract is close to USD 2,000 million. The package No.2 consists of the interconnections and the auxiliary services facilities; this contract amounts to almost USD 1,000 million. These facilities are expected to come into operation in 2019. The FADHILI gas plant will have a daily capacity of 70 million cubic metres. The purpose of the FADHILI Gas Program is to meet domestic energy demand and to reduce the burning of liquid fuels in power plants.

### **2015 FEEDs and R&D projects**

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

The main FEEDs, conceptual studies and R&D projects awarded during 2015 were:

- The BUTANEXT Project: R&D project which involves the pre-treatment of lignocellulose biomass for the production of biobutanol.
- The CIEN 3R2020 Project: R&D project which involves hydrometallurgical processes for base and minor metals recovery from industrial and urban waste.
- The CIEN ESTEFI Project: R&D project which involves the development of an energy storage technology based on a Nickel-Zinc flow battery for intermodal transport grid applications.
- Three engineering service contracts for nitric acid plants in Russia, China and Argentina.
- A project for the study of the water – hammer in ship loading and unloading lines for Enagas in Barcelona, Cartagena and Huelva.

### 3. CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT January - December	Year 2015 € million	Year 2014 € million	Var. %
<b>Net Revenues</b>	<b>4,187.9</b>	<b>3,149.2</b>	<b>33.0%</b>
Other Revenues	7.5	4.8	
<b>Total Income</b>	<b>4,195.4</b>	<b>3,153.9</b>	<b>33.0%</b>
Raw materials and consumables	-3,019.9	-2,059.1	
Personnel Costs	-543.9	-495.3	
Other operating costs	-526.3	-429.8	
<b>EBITDA</b>	<b>105.3</b>	<b>169.6</b>	<b>-37.9%</b>
Amortisation	-19.3	-12.1	
<b>EBIT</b>	<b>86.0</b>	<b>157.6</b>	<b>-45.4%</b>
Financial Income/ expense	1.5	8.6	
Share in results obtained by associates	-5.2	-0.5	
<b>Profit before tax</b>	<b>82.3</b>	<b>165.7</b>	<b>-50.3%</b>
Income taxes	-22.2	-31.3	
<b>Net Profit</b>	<b>60.2</b>	<b>134.5</b>	<b>-55.2%</b>

### 3.1 REVENUES

REVENUES BREAKDOWN January - December	Year 2015 € million	%	Year 2014 € million	%	Var. %
Oil and gas	3,744.4	89.4%	2,921.6	92.8%	28.2%
Power	320.8	7.7%	139.6	4.4%	129.8%
Infrastructure and industries	122.7	2.9%	88.0	2.8%	39.5%
<b>Net Revenues</b>	<b>4,187.9</b>	<b>100%</b>	<b>3,149.2</b>	<b>100%</b>	<b>33.0%</b>

In 2015, net revenues grew by 33.0% to € 4,187.9 million, following the execution of the strong backlog.

**Oil and Gas:** Sales of this division went up 28.2% and reached € 3,744.4 million in 2015. The 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: Volgograd for Lukoil (Russia), Talara for Petroperu (Peru), STAR for SOCAR (Turkey), RAPID for Petronas (Malaysia) and Jazan for Saudi Aramco (Saudi Arabia).
- **Upstream and Natural Gas:** The main contributors to sales were: the GT5 for KNPC (Kuwait), the Jazan IGCC for Saudi Aramco (Saudi Arabia), the upgrader project for CNR (Canada) and the Touat project for GDF Suez/Sonatrach (Algeria).

**Power:** Revenues of the power division increased from € 139.6 million in 2014, to € 320.8 million in 2015. This improvement was due to a larger contribution from the projects awarded in 2014. In 2015, the main contributors to sales were the following projects: the Los Mina CCGT for AES Dominicana (Dominican Republic), the

cogeneration plant for Fort Hills (Canada) and the CCGT for Ashuganj Power Station Company (Bangladesh).

Infrastructure and Industries: In 2015 revenues of this division grew by 39.5% to € 122.7 million.

### 3.2 OPERATING AND NET PROFIT

OPERATING AND NET PROFIT January - December	Year 2015 € million	Year 2014 € million	Var. %
EBITDA	105.3	169.6	-37.9%
Margin	2.5%	5.4%	
EBIT	86.0	157.6	-45.4%
Margin	2.1%	5.0%	
Net Profit	60.2	134.5	-55.2%
Margin	1.4%	4.3%	

EBIT BREAKDOWN January - December	Year 2015 € million	Year 2014 € million	Var. %
Operating Profit from divisions	167.0	233.5	-28.5%
Costs not assigned to divisions	-80.9	-76.0	6.6%
<b>Operating profit (EBIT)</b>	<b>86.0</b>	<b>157.6</b>	<b>-45.4%</b>

Financial Income/Expense January - December	Year 2015 € million	Year 2014 € million
Net financial Income *	1.1	5.0
Gains/losses in transactions in foreign currency	0.4	3.6
<b>Financial Income/Expense</b>	<b>1.5</b>	<b>8.6</b>

\* Financial income less financial expenditure

EBIT and Net profit were impacted by higher than expected costs in the upgrader project in Canada as the company announce in its trading statement on February 15<sup>th</sup>, 2016. The execution of this project has been affected by some specific factors that are linked to the effects of the global turmoil of the oil and gas industry in Alberta, as oil prices have steeply declined. As a result of that, EBIT margin went down to 2.1%.

Financial Income was reduced from € 8.6 million in 2014 to € 1.5 million in the 2015. This reduction was mainly due to a lower average cash balances, the increase of debt and lower interest rates.

In 2015, the company income tax was € 22.2 million. This figure represents an effective tax rate of 26.9%, higher than the tax rate of 2014, due to the application of the Law 27/2014, which came into force as of 1<sup>st</sup> of January, 2015.



#### 4. CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET December 31, 2015	Year 2015 € million	Year 2014 € million
<b>ASSETS:</b>		
<b>Non-current Assets</b>		
Tangible and intangible assets	130.0	113.7
Investment in associates	4.9	14.6
Deferred tax assets	186.7	81.9
Other non-current assets	23.4	18.4
	<b>345.0</b>	<b>228.6</b>
<b>Current assets</b>		
Inventories	21.7	23.3
Trade and other receivables	2,401.5	1,436.9
Other current assets	73.0	58.3
Cash and Financial assets	772.0	691.6
	<b>3,268.3</b>	<b>2,210.0</b>
<b>TOTAL ASSETS</b>	<b>3,613.2</b>	<b>2,438.6</b>
<b>EQUITY AND LIABILITIES:</b>		
<b>Equity</b>	<b>397.5</b>	<b>455.8</b>
<b>Non-current liabilities</b>		
Financial Debt	157.7	23.7
Other non-current liabilities	29.9	71.4
<b>Long term provisions</b>	<b>31.2</b>	<b>36.8</b>
<b>Current liabilities</b>		
Financial Debt	81.8	3.8
Trade payable	2,611.3	1,653.6
Other current liabilities	303.8	193.6
	<b>2,996.9</b>	<b>1,851.0</b>
<b>Total liabilities</b>	<b>3,215.7</b>	<b>1,982.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,613.2</b>	<b>2,438.6</b>
<b>EQUITY</b>		
<b>December 31, 2015</b>	<b>Year 2015 € million</b>	<b>Year 2014 € million</b>
Shareholders' funds + retained earnings	597.0	611.4
Treasury stock	-74.2	-73.4
Hedging reserve	-93.2	-49.3
Interim dividends	-35.8	-35.8
Minority Interest	3.7	2.9
<b>EQUITY</b>	<b>397.5</b>	<b>455.8</b>

<b>NET CASH POSITION</b>	<b>Year 2015</b>	<b>Year 2014</b>
<b>December 31, 2015</b>	<b>€ million</b>	<b>€ million</b>
Current assets less cash and financial assets	2,496.2	1,518.5
Current liabilities less financial debt	-2,915.1	-1,847.2
<b>COMMERCIAL WORKING CAPITAL</b>	<b>-418.9</b>	<b>-328.7</b>
Financial assets	63.2	63.2
Cash and cash equivalents	708.8	628.4
Financial Debt	-239.5	-27.4
<b>NET CASH POSITION</b>	<b>532.6</b>	<b>664.2</b>
<b>NET CASH + COMMERCIAL WORKING CAPITAL</b>	<b>113.7</b>	<b>335.4</b>

- At the end of December 2015, Equity of the company was € 397.5 million, lower than the level as of December 30, due the payment of dividends and higher negative hedging reserves.
- The net cash position closed at € 532.6 million, higher than the level of September 2015, in line with the company expectations.
- The Board of Directors approved to propose to the General Shareholder Meeting a dividend distribution of € 75 million to be paid in 2016.

In December 2015, the Board of Directors already approved an interim dividend of € 0.667 per share out of 2015 results, which was paid on the 12<sup>th</sup> of January, 2016.

## ANNEX: FILINGS WITH CNMV RELEVANT EVENTS AND OTHER COMMUNICATIONS

In the fourth quarter of 2015, the company filed with the Spanish “Comisión Nacional del Mercado de Valores” (CNMV) the following communications:

- Técnicas Reunidas has been awarded a contract by the multinational company Sasol for the execution of the Ethoxylation (ETO) and Guerbet Alcohol Plants, to be located in Sasol’s ethane cracker and derivatives complex in Westlake, Louisiana.

The scope of the contract includes the Engineering, Procurement and Construction support (EPCs) for the two plants. It is the latest project to be awarded for this new large petrochemical complex being built by Sasol in the USA.

Alcohols ethoxylates are surfactants found in products such as detergents, surface cleaners, cosmetics and for use in agriculture, textiles and paints. Guerbet alcohols are used in cosmetics, detergents, antifreeze and lubricant additives, among others.

The value of the contract is approximately € 150 million, with a schedule of 30 months and will be done in TR’s Madrid and USA offices.

This new project has great importance for TR being selected by such an outstanding company like Sasol.

Sasol is an international integrated chemicals and energy company that leverages the talent and expertise of its more than 31,000 employees in 37 countries. It develops and commercializes technologies, builds and operates world-scale facilities to produce a range of high-value product streams, including liquid fuels, chemicals and low-carbon electricity.

- Abu Dhabi Oil Company Limited (ADOC), a Japanese company responsible for the development of the Hail field in Abu Dhabi, awarded Técnicas Reunidas a new contract for the early production facilities in this field, which is located on the Mubarras Island and its surroundings in the vicinity of Abu Dhabi.

The contract has been awarded on a lump sum turnkey basis for an approximate value of USD 310 million, with an execution schedule of 20 months. The project consists of onshore works to be developed in the islands of Mubarras and Hail, the latter being an artificial island, and offshore works which include the installation of three subsea pipelines along with the installation of a composite cable interconnecting both islands. The project scope includes the engineering, procurement, construction, pre-commissioning and all required services for a further commissioning and start-up of the plant.

The project, that includes separation, pumping and transportation facilities along with its associated utilities and offsites, is located in the protected marine area of Marawah, which has been recognized as a biosphere reserve by UNESCO since November 2007. This award demonstrates the capability and experience of Técnicas Reunidas to work in environmentally sensitive locations.

For Técnicas Reunidas, this new contract further extends the company's business activity in the offshore sector and represents its fifth contract in the UAE, eight months after its last award in the country, strengthening its presence in the country and its commitment in maintaining the country's current oil & gas production levels.

ADOC is the company responsible for the development of the oil fields of Mubarráz, Umm Al Anbar, Neewat Al Ghalan and Hail. ADOC started operations in Abu Dhabi in 1968. It is one of the largest and longest running companies producing oil in Abu Dhabi and the UAE.

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

SUMMARY			
	Shares	Net Value (€)	Average price
Opening account	55,000	2,500,000	
Purchases	1,718,520	(76.195.703,10)	44,34
Sales	-1,699,324	75,363,029.85	44,35
Final account	74,196	1,667,326.74	

- The company reported to the CNMV that the Board of Directors approved on 18<sup>th</sup> of December 2015 the distribution of € 0.667 per share, € 35.8 million in total, as an advanced payment of the dividend out of 2015 results, to be approved in the next Shareholders General Meeting. The interim dividend was paid on 12<sup>th</sup> of January of 2016.

Also, after at the end of the fourth quarter, the company filed 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 second quarter:

SUMMARY			
	Shares	Net Value (€)	Average price
Opening account	74,196	1,667,327	
Purchases	1,926,767	-75,649,735.37	39.37
Sales	-1,918,414	75,363,619.97	39.37
Final account	82,549	1,381,211.34	

- The company released a trading statement for the Estimates full year 2015.

Técnicas Reunidas (TR) will publish full 2015 results on the 29th of February. The main figures for the company are currently expected to be around the following levels:

Backlog: 12,100 M€

Sales: 4,180 M€

EBIT: 86 M€

Net profit: 60 M€

Net cash position: 530 M€

2015 Net profit is impacted by one-off incremental costs from the Upgrader Project in Alberta (Canada), for Canadian Natural Resources Limited (CNRL). The execution of this project has been affected by some specific factors that are linked to the effects of the global turmoil of the oil and gas industry in Alberta, as oil prices have steeply declined. The main factors are:

- Longer than expected delay on the delivery of the last key modules.
- Exceptional completion works for these modules on site before assembling.
- Costly remedy and acceleration plans at Canadian rates and lower than average productivity, due to the current market circumstances.
- Concentration of a larger than expected workload in the middle of the Canadian winter in order to fulfill TR's commitment to finish the project by June 2016.

Técnicas Reunidas priority is to finalize the projects within the terms committed to its customers, keeping its reputation as a reliable quality contractor with clients and main subcontractors. Consequently, TR has taken

the decision to put in place all measures required to deliver the plant to CNRL next June 2016 and absorb the resulting costs.

The incremental costs booked as of December 31st 2015 in application of accounting criteria reflect the additional costs expected to complete the plant.

#### Estimates for 2016

Técnicas Reunidas wants to reassure investors that our current record backlog, including other projects in Canada, is being executed successfully. The high volume of recent awards, the current bidding pipeline and our execution capabilities, guarantee a solid profitable growth for Técnicas Reunidas. As a consequence, our current estimates for the key financial indicators for 2016 are the following:

- o Sales increase to the range of €4,300M - € 4,600M (from 2015 record level)
- o EBIT margin levels around 4%.
- o Steady dividend distribution

TR' 55 years of experience in the oil services market has proven a strong track record in evaluating the risks associated to its projects. Under the actual oil market circumstances, TR considers prudent to implement a more conservative policy in its margin recognition by increasing the level of contingencies in its projects. This level of margins with higher contingencies provides a better protection against any potential deviations.

#### TR in the current oil environment

The global turmoil in the oil and gas sector is placing strong pressure in the whole oil value chain, while impacting capital investments worldwide in an unseen level over the last 30 years. Notwithstanding this adverse scenario, the resiliency of TR business, with its proven methodology, its diversification by product and geography and the recurrence of its clients, explain our recent achievements in contract awards.

Juan Lladó, Chief Executive Officer of Técnicas Reunidas, said: “In the last ten years, since our IPO, Técnicas Reunidas has grown from a regional company with very high technical credentials, to one of the top world players of our industry. Today, we enjoy the strongest reputation for the quality of our engineering and execution. This trust has been shown in the record backlog attained in the middle of the current oil crisis. Our focus now is to deliver this backlog profitably within schedule and quality, while keeping our ambition to strengthen and further develop our ties with existing and new clients. We are very confident to meet these goals which will allow us to commit a steady dividend distribution to our shareholders.”