



TECNICAS REUNIDAS

2006 RESULTS
January - December 2006
(Unaudited figures)

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1. HIGHLIGHTS

HIGHLIGHTS <i>January - December</i>	2006 € million	2005 € million	Var. %
Backlog	3,040	1,712	78%
Net Revenues	1,235	685	80%
Adjusted EBITDA ⁽¹⁾	66	31	112%
<i>Margin</i>	<i>5.4%</i>	<i>4.6%</i>	
Adjusted EBIT ⁽¹⁾	62	29	118%
<i>Margin</i>	<i>5.1%</i>	<i>4.2%</i>	
Net Profit	72	42	72%
Adjusted Net Profit ⁽²⁾	66	42	58%
Net cash position	317	261	22%

⁽¹⁾ EBITDA excluding IPO costs

⁽²⁾ Net Profit excluding IPO costs and the profit from the sale of a real state subsidiary

- In 2006, Net Profit climbed to € 72 million, from € 42 million in the previous year (+72%). Net profit, adjusted of IPO costs and capital gains, was €66 million for the year.
- Backlog increased to €3,040 million, with growth of 78% compared to December 2005. The most relevant awards in the fourth quarter were the expansion of the Cartagena Refinery in Spain and the Medgaz project in Algeria.
- From 2005 to 2006, revenues grew by 80%, amounting to € 1,235 million, driven by growth in each of the three divisions.
- Adjusted EBIT more than doubled (+118%) over the period, as a consequence of the significant increase in sales and margin expansion. Adjusted EBITDA margin increased from 4.6% in 2005 to 5.4% in 2006.
- Net cash at the end of December 2006 reached € 317 million in December 2006, that compares to €261 million for the same date in 2005.

2. BACKLOG

	Project	Country	Client	Estimated Completion
Refining and Petrochemical	Rabigh	Saudi Arabia	Saudi Aramco	2008
	Coker	Chile	Enap	2008
	Nitric Acid Plant	Chile	Enaex	2008
	HDS—Bio Bio	Chile	Enap	2008
	Refining Units	Mexico	Pemex	2008
	Izmit	Turkey	Tüpras	2006
	Dung Quat	Vietnam	Petrovietnam	2009
	Kirikkale	Turkey	Tüpras	2007
	Polymer Plant	Spain	General Electric	2007
	Phenol-Cumene Plant	Spain	Cepsa	2006
	Hydrocraker (Huelva)	Spain	Cepsa	2008
	Refining Units	Chile	Enap	2009
Hydrocraker Complex (Cartagena)*	Spain	Repsol	2009	
Upstream and Natural Gas	Ju'aymah	Saudi Arabia	Saudi Aramco	2008
	Hawiyah	Saudi Arabia	Saudi Aramco	2008
	GC-28	Kuwait	KOC	2007
	Telemetry	Kuwait	KOC	2007
	TFT	Algeria	Total/Repsol/Sonatrach	2008
	RKF	Algeria	Cepsa/Sonatrach	2008
	Medgaz	Algeria	Medgaz	2009
	Saih Rawl (compression plant)	Oman	PDO	2009
Power	Plana del Vent	Spain	Gas Natural	2008
	As Pontes	Spain	Endesa	2008
	Barranco de Tirajana	Spain	Endesa	2007
	Ocaña/Cuenca	Spain	—	2007
	Escatron I & II	Spain	Global 3	2008
	Saih Rawl (power plant)	Oman	PDO	2009

* Project in execution on an open book basis

At the end of 2006, the backlog of the company amounted to € 3,040 million, of which 90% corresponded to the oil and gas division and 10% to the power division. Infrastructure and industries contracts were not included in the backlog calculation. From December 2005, backlog grew by 77.6%.

In the fourth quarter, backlog increased by € 389 million (+14.7%). The most relevant contracts included in the backlog during the fourth quarter were: the Cartagena project in Spain, the Medgaz Project in Algeria and some smaller projects for ENAP in Chile.

The “Cartagena Project” involves the enlargement of the existing REPSOL-YPF refinery in Cartagena, Spain:

- The contract was signed on an open book basis. Currently, TR is working in phase one, which is scheduled to last 9 months. In this phase, TR will perform the detailed engineering of the project, purchase some of the main equipment, and draw up a comprehensive estimate of the

investment involved, pursuant to a cost-reimbursable services contract. Phase two will start after 9 months, and then the contract will be converted into a turnkey contract under conditions that have already been agreed. In the backlog, the company included a current estimate of the expected value of the project.

- TR is involved in some of the key units of the refinery expansion: a 5,500 kt/year crude oil unit, a 2,500 kt/year hydrocracker, four 3,000 kt/year hydro-desulphurisation units and a 300 kt/year isomerisation unit.
- The new units will boost the refinery's distillation capacity from the current 5,500 kt/year to 11,000 kt/year. Altogether, this project represents the largest investment in Spanish refining in recent years.

The Medgaz project involves the construction of a gas pipeline between Benisaf, Algeria, and Almeria, Spain. TR and Amec Spie were awarded the EPC contract for the construction of the compression station in Algeria, the receiving terminal in Spain, and other facilities.

Other major contracts awarded to the company in the year 2006 were: The Rabigh Refinery in Saudi Arabia, a hydrocracking unit for CEPESA in Spain, the second phase of the power plant for Global 3 (Spain), and the Saih Rawl Depletion Compression Project for PDO in Oman.

3. CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT		2006	2005	Var.
January - December		€million	€million	%
Net Revenues		1,234.5	685.1	80.2%
Other Revenues		4.5	5.1	
Total Income		1,239.0	690.2	79.5%
Raw materials and consumables		-778.8	-380.1	104.9%
Personnel Costs		-165.9	-117.8	40.9%
Other operating costs		-228.0	-161.1	41.5%
IPO costs		-2.8	0	
EBITDA		63.5	31.3	103.0%
Amortisation		-3.9	-2.7	
EBIT		59.6	28.6	108.5%
Financial Income/ expense		5.2	6.8	
Results of the sale of subsidiary (Layar)		12.9	0.0	
Share in results obtained by associates		0.5	1.2	
Profit before tax		78.2	36.6	113.7%
Income tax		-6.4	5.0	
Net Profit		71.8	41.6	72.5%

3.1 REVENUES

REVENUES BREAKDOWN		2006		2005		Var.
January - December		€million	%	€million	%	%
Oil and gas		940.3	76%	486.6	71%	93.2%
Power		200.9	16%	123.6	18%	62.5%
Infrastructure and industry		93.4	8%	74.9	11%	24.7%
Net Revenues		1,235	100%	685.1	100%	80.2%

Tecnicas Reunidas net revenues grew by 80.2% in 2006, reaching €1,235 million, with strong performance in all business units:

Oil and Gas: Revenues in the year 2006 increased by 93.2%, compared to the same period the year before, representing 76% of total sales. The refining and petrochemical subdivision continued to be the major contributor to this growth although upstream also showed a positive increase:

- Refining and petrochemical. Projects in Mexico, Chile and Turkey continued to maintain high levels of activity. Also, the Dung Quat project for Petrovietnam (Vietnam) and the Rabigh project for Saudi Aramco (Saudi Arabia) contributed to increase year 2006 revenues. Saih Rawl

Project for PDO, Oman, and Cartagena Project for Repsol, which are in their initial phase, did not contribute to sales significantly.

- Upstream and natural gas. Growth in this subdivision was enhanced by the Juaymah and Hawiyah projects within the year 2006. Other smaller projects such as the Gathering Centre 28 for Kuwait Oil Company have also reached levels of high activity and revenue generation.

Power: Revenues from this division increased by 62.5%, from € 123.6 million in 2005 to € 200.9 million for the same period in 2006. Growth was mainly driven by the Plana del Vent Project (Tarragona) a CCGT for Gas Natural.

Infrastructure and industry: Revenues in the infrastructure and industry division grew by 24.7%, reaching € 93.4 million in 2006. The major projects contributing to the revenues of the year are the Santiago de Compostela Airport, a Carbon Fibre Plant at Toledo for Hexcel, and several facilities for municipalities that will be operated through concessions.

3.2 OPERATING PROFIT

OPERATING MARGINS	2006	2005	Var.
January - December	€million	€million	%
Adjusted EBITDA	66.3	31.3	112.0%
<i>Margin</i>	5.4%	4.6%	
Adjusted EBIT	62.4	28.6	118.3%
	5.1%	4.2%	

EBIT BREAKDOWN	2006	2005	Var.
January - December	€million	€million	%
Operating Profit from divisions	91.8	54.1	69.8%
IPO costs	-2.8		
Costs not assigned to divisions	-29.4	-25.5	15.3%
Operating profit (EBIT)	59.6	28.6	108.5%

Adjusted EBITDA reached €66.3 million in 2006, up 112.0% and Adjusted EBIT reached € 62.4 million for the same period, up 118.3%. These substantial growth rates indicated the cumulative effect of fast growing sales and stronger margins.

With regards to operating margins, their improvement continues to be led by economies of scale in general expenses (costs not assigned to divisions) and good pricing terms in the recently awarded projects.

3.3 NET PROFIT

NET PROFIT	2006	2005	Var.
January - December	€million	€million	%
Profit after taxes	71.8	41.6	72.5%
<i>Net margin</i>	5.8%	6.1%	
Adjusted Profit after taxes	65.7	41.6	57.9%
<i>Adjusted margin</i>	5.3%	6.1%	

In the year 2006, net profit climbed to € 71.8 million and grew by 72.5% compared to the same period in 2005, as a consequence of EBIT improvement and the net effect of the exceptional income and expenses (sale of a subsidiary with real state assets and IPO costs).

Financial Income/ Expense

Financial Income/Expense	2006	2005
January - December	€million	€million
Net financial Income *	10.7	4.6
Gains/losses in transactions in foreing currency	-5.5	2.3
Financial Income/Expense	5.2	6.8

* From net cash and other investments less financial expenditure

Financial results decreased from an income of € 6.8 million as of December 2005 to an income of €5.2 million as of December 2006:

- On one hand, the net financial income increased substantially due to higher interest rates and strong cash generation.
- On the other hand, this increase was outweighed by the evolution of the Gains/losses in transactions in foreign currency as a consequence of the adaptation of existing FX forward to the requirements of IFRS norm, plus year-end conversion of monetary balances at the spot exchange rate.

Profit from the sale of a subsidiary

Tecnicas Reunidas sold 75% of its subsidiary Layar Castilla (company that holds real state assets) on March 30th, 2006, obtaining a profit of € 12.9 million.

Income tax

Tecnicas Reunidas recognised a tax expense of € 6.4 million in 2006. The change in sign of the tax line was due, first, to the tax on the capital gains arising from Layar Castilla (€ 5 million tax expense), and second, to the higher level of operations in Spain. This change did not have a cash effect as tax credits were applied to compensate the tax expenditure.

4. CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET	Dec-06 €million	Dec-05 €million
ASSETS:		
Non-current Assets		
Tangible and intangible assets	33.5	21.0
Investment in associates	7.0	11.5
Deferred tax assets	16.2	24.0
Other non-current assets	3.2	2.9
	59.9	59.4
Current assets		
Inventories	21.0	5.9
Trade and other receivables	720.7	473.0
Other current assets	11.2	3.6
Cash and Financial assets	367.8	315.4
	1,120.7	797.8
TOTAL ASSETS	1,180.6	857.3
EQUITY AND LIABILITIES:		
Equity	161.9	146.6
Non-current liabilities	11.1	8.8
Financial Debt	2.0	0.0
Other non-current liabilities	9.1	8.8
Provisions	24.8	45.2
Current liabilities		
Financial Debt	48.3	54.2
Accounts payable	882.6	550.7
Other current liabilities	51.8	51.8
	982.7	656.7
Total liabilities	1,018.7	710.7
TOTAL EQUITY AND LIABILITIES	1,180.6	857.3

EQUITY	Dec-06 €million	Dec-05 €million	Var.
Shareholders' funds + retained profit	167.0	167.0	0.0%
Hedging reserve	9.1	-10.6	
Interim dividends	-16.8	-12.0	
Minority Interest	2.6	2.1	22.9%
EQUITY	161.9	146.6	110.5%

NET CASH POSITION	Dec-06 €million	Dec-05 €million	Var.
Current assets less cash and financial assets	752.9	482.5	
Current liabilities less financial debt	-934.4	-602.5	
COMMERCIAL WORKING CAPITAL	-181.5	-120.0	
Financial assets	21.2	57.2	
Cash and cash equivalents	346.6	258.1	
Financial Debt	-50.3	-54.2	
NET CASH POSITION	317.5	261.2	21.6%
NET CASH + COMMERCIAL WORKING CAPITAL	136.0	141.1	-3.6%

- Net cash reached € 317.5 million in December 2006, representing an increase of € 56 million, compared to December 2005. The sale of the aforementioned real state subsidiary in March 2006 generated a cash revenue of € 16 million.
- In the year 2006, the company paid dividends coming from the distribution of reserves amounting to € 48 million, and ordinary dividends corresponding to the 2005 results, amounting to € 24 million.
- In 2006, Equity grew by € 15 million. This increase came from the net profit generated on the year which outweighed the distribution of dividends and reserves, plus the effects of 2006 interim dividend of 16.8 (€0.30 per share) that the company announced in December and paid in January.

5. RELEVANT EVENTS AND OTHER COMMUNICATIONS

In the fourth quarter of 2006, the company filed with the Spanish CNMV a communication on the Cartagena Project in Spain. As mentioned before, the project involves the completion of new units in the existing refinery that will boost the refinery's distillation capacity from the current 5,500kt/year to 11,000kt/year.

The company announced in December the distribution of a pre-tax 2006 interim dividend of €0.3 per share. This interim dividend was paid in January 2007.

In 2007, Tecnicas Reunidas announced the award by Saudi Kayan Petrochemical Company of the phenol plant in their petrochemical complex in Jubail, Saudi Arabia. The plant, whose main investors are SABIC along with their partner Kayan Petrochemical Company, includes units for the production of 290,000 t/y of Cumene, 220,000 t/y of Phenol, 240,000 t/y of bisphenol-A and 71,000 t/y of acetone recovery. The Phenol is used in the production of plastics, resins, polycarbonates and pharmaceutical products. The contract was signed on an open book basis.