

9 February 2000

National Securities Market Commission
Paseo de la Castellana, 19
28046 Madrid
Fax: 91 585 1662

Dear Sirs

The companies **Abengoa, S.A. (Abengoa)** and **Befesa Medio Ambiente, S.A. (Befesa)** hereby inform you that they have established an incorporation agreement for the formation of a business, strategic and effective operational alliance in the environmental sector, for the treatment and recycling of water and non-metallic waste. This will operate through the company **Alianza Medioambiental, S.A. (AMA)**, owned in equal 50% shares by both companies, with neither company having dominant control.

This agreement is aimed at promoting the development of business in the sectors in which **Abengoa** and **Befesa** are both currently active: the management, treatment and storage or deposit of industrial waste, solid urban waste, livestock waste and dangerous waste products; the management of plants for the treatment and purification of waste and industrial water; the management of municipal water supply networks and the planning and construction of the plants required, in order to engage in the foregoing activities, with the sole exception of the construction of plants for the treatment of urban water.

The two partners, **Abengoa** and **Befesa**, contribute to **AMA** ownership of shares and holdings in the share capital in 20 operational companies which together could give rise to important synergies, while at the same time giving this joint company the ideal size, with sufficient financial and technological capacity and a greater, improved capacity to respond to the requirements of the domestic and international markets.

This new company is formed with a share capital of 18,338 million pesetas. **AMA** will have an investment capacity of some 25,000 million pesetas in order to reinforce its current activities and develop new projects both in Spain and in other countries, particularly in Latin America, in various areas in the environmental sector.

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The consultants for this incorporation agreement were BBVA as commercial bank, Garrigues & Andersen as lawyers and Arthur Andersen as auditors.

Thanks to this operation, **Abengoa, S.A. and Befesa Medio Ambiente, S.A.** have united their efforts in an area in which their activities complement one another, and they will be able to jointly attain market shares that are greater than the simple sum of their individual shares, with the creation of synergies that will permit an increase in productivity. The profits of the parent companies, **Abengoa, S.A.** and **Befesa Medio Ambiente, S.A.**, are not expected to suffer and a compensation mechanism has been put in place for the first four years of **Alianza Medioambiental, S.L.'s** operation.

The two companies, **Abengoa, S.A.** and **Befesa Medio Ambiente, S.A.**, wish to explain the details of this operation to their shareholders and investors, the markets, analysts and any interested parties. To this end, the explanatory summary attached hereto is placed at the disposal of the markets.

Yours faithfully,

For **Befesa Medio Ambiente, S.A.**

For **Abengoa, S.A.**

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Manuel Barrenechea Guirón

Jesús Pérez Rodríguez