Audit and Control Committee

1 Introduction.

This Activity Report is intended to inform the general public and, more particularly, the shareholders of the activities Abengoa carried out in this area.

For the Board of Directors to perform its duties in a rigorous and efficient manner, specialized Committees must be set up within the Board for the purpose of diversifying the work and ensuring that, in certain important issues, the proposals and resolutions have previously been approved by a specialized body that is able to filter and obtain information on its decisions, so as to strengthen the guarantee that the resolutions are objective and have been given due consideration.

Therefore, the Audit Committee was established as an informative and consultative body reporting to the Board of Directors. It is authorized to report on, monitor and propose certain actions relating to issues that fall within the area of its competency.

Abengoa's Audit Committee was established by the Board of Directors of Abengoa, S.A. on December 22, 2002 under article 44 of the Bylaws, in order to meet the provisions on the Audit Committee set forth in Law 44/2002 on the Reform of the Financial System. Its Internal Regime Regulations were approved by the Board of Directors on February 24, 2003. Both these events were duly notified to the National Securities and Exchange Commission (CNMV) as relevant events.

The Audit Committee is, in its totality, formed by non-executive directors, and its current composition is as follows:

Chairman	José L. Méndez López (*)
Member	José B. Terceiro Lomba
Member	José J. Abaurre Llorente
Secretary	Miguel Angel Jiménez-Velasco

(*) Representing the legal person Corporación Caixa Galicia, S.A.U. as a Director

During the 2004 financial year, the Audit Committee met 4 times.

We here-below describe the Internal Regime Regulations that govern the operation of the Committee, the matters that fall within its competency and the activities carried out during the year.

2 Audit Committee Internal Regime Regulations.

- Composition and Appointment:

The Audit Committee Regulations establish that it shall be formed permanently by three directors. At least two of them shall be non-executive Board Members, thus complying with the majority of non-executive Board Members provided for in Law 44/2002.

Appointments shall be for a maximum term of four years, which may be renewed for further terms of the same duration.

- Chairman and Secretary:

The Audit Committee shall initially elect its Chairman from among all its non-executive Board Members. The Chairmanship shall be taken in turns, on an annual basis, by the non-executive Board Members that are on the Committee and at least one year must elapse prior to the same Board Member being re-elected Chairman.

Audit and Control Committee

The Secretary to the Board of Directors shall act as Secretary to the Committee.

- Duties and Competencies:

The duties and competencies of the Audit Committee are as follows:

1. To inform on the Annual Accounts and the half-yearly and quarterly Financial Statements that must be forwarded to the market regulatory or supervisory bodies, mentioning the internal control systems, the control of the monitoring thereof and compliance therewith through internal audit and, when appropriate, the accounting principles applied.

2. To inform the Board of Directors of any change in accounting principles and balance sheet and off balance sheet risks.

3. To inform the General Shareholders' Meeting on the issues raised thereat by the shareholders in relation to matters that fall within its competency.

4. To propose the appointment of the External Account Auditors to the Board of Directors so that the proposal may be put to the General Shareholders' Meeting.

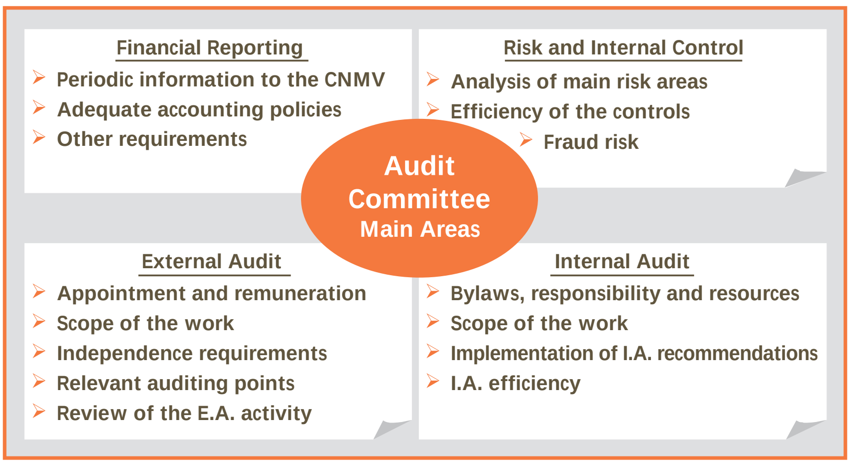
5. To supervise the Internal Audit services. The Committee shall have full access to the Internal Audit and shall inform during the process of selection, appointment, renewal and/or removal of the manager thereof and the setting of his/her remuneration. It shall also inform on this Department's budget.

6. To know the company's financial information process and internal control systems.

7. To be in contact with the external auditors to receive information on any issues that might jeopardize said auditors' independence and/or any other issues related to the account auditing process.

3 Activities of the Audit Committee.

The main activities submitted to the Audit Committee may be grouped into four different areas of competency:



3.1 Verification of economic-financial information

The Group's financial information consists basically of the consolidated financial statements, drawn up quarterly, and the full consolidated Annual Accounts, drawn up annually.

This information is prepared on the basis of the account reporting that all the Group companies are obliged to submit for this purpose.

The information reported by each one of the individual companies is verified by both the Group's internal auditors and the external auditors, in order to ensure that the information is true and provides an accurate picture of the company.

Abengoa has made a significant effort to systemize the reporting systems to allow times to be reduced and the reports required to be prepared as automatically as possible. This is one of the Group's permanent objectives, which will allow a constant reduction in the times required to present the Group's financial information.

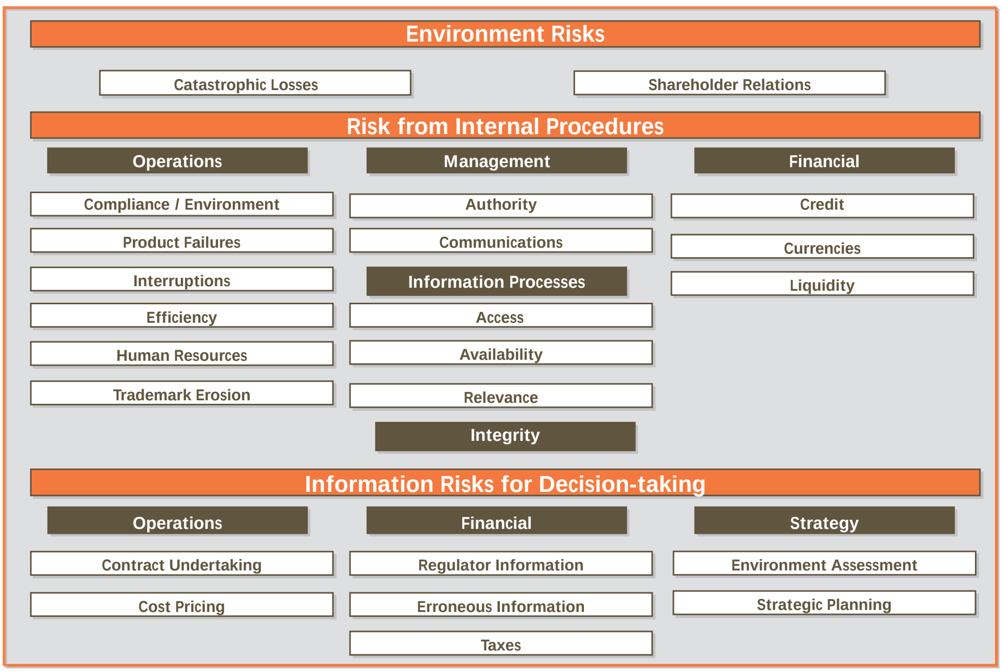
The Audit Committee's duties include the verification of the economic-financial information prepared by the Group before it is submitted to Abengoa's Board of Directors and the regulatory bodies of the National Securities and Stock Exchange Commission (CNMV).

Once the above requirements have been met, the information is made public for the market and financial institutions.

3.2. Supervision of the risk control system

3.2.1 The Risk Management Model in Abengoa;

Abengoa's risk management is performed with the following model, which is used to identify potential risks that might exist in a business.



The procedures used to eliminate the aforementioned risks are instrumented through the Common Management Systems.

The Persons Responsible for each one of the regulations in the Common Management Systems must verify and certify fulfillment of the procedures. Each certificate is issued and submitted to the Audit Committee in January of each year, for the previous year.

The Common Management Systems identify the risks included in the current model as well as the control activities to mitigate them. Therefore, they develop the internal activity standards and represent a common culture in Abengoa's business management.

In addition, the Common Management Systems enables:

- Optimization of the day-to-day management, applying procedures favoring financial efficiency, cost reduction, and standardization and compatibility of information and management systems.

- Promotion of synergies and creation of value by Abengoa's different business units, working in an environment of cooperation.

- Strengthening of Corporate Identity, with all of Abengoa's companies respecting their shared values.

- Growth attainment through strategic development seeking innovation and new medium and long-term options.

The Systems cover the entire organization at three levels:

- All the Business Units and areas of activity
- All levels of responsibility
- All kinds of operations

Meeting of the provisions of the Common Management Systems is compulsory for the entire organization and, therefore, they must be known by all its members. Any exception to these Systems must be made known to the person concerned and appropriately authorized.

The Common Management Systems are subjected to a continuous updating process, which allows the best practices to be incorporated in each of their fields of action. The successive updates to which they are subjected are immediately notified to the organization using computing media, which greatly facilitates the dissemination thereof.

In a group like Abengoa, with more than 200 companies, presence in almost 40 countries and more than 9,000 employees, it is indispensable to define a common system for business management that permits efficient work performance on a coordinated and consistent basis.

3.2.2 Supervision and Control of the Risk Management Model;

The supervision and control of the above-described risk management model are structured around the Pooled Audit Services, which include the audit teams from the Companies, Business Units and Corporate Services, which act in a coordinated manner and report to the Audit Committee of the Board of Directors.

From among their strategic objectives, we can highlight:

- Forestalling the audit risks of the Group's Companies, Projects and Activities, such as frauds, capital losses, operating inefficiencies and, in general, risks that could affect the favorable progress of business.

- Controlling the application and promoting the development of suitable and efficient management rules and procedures, in accordance with the Common Corporate Management Systems.

- Creating value for Abengoa, by promoting the building of synergies and the monitoring of optimum management practices.

- Coordinating the work criteria and approaches with the external auditors, seeking the greatest efficiency and profitability of both functions.

Therefore, the Pooled Internal Audit Services act through specific objectives:

- Evaluating the Audit Risk of Abengoa Companies and Projects, in accordance with an objective procedure.

- Defining standard types of Internal Audit and Control work, in order to develop the pertinent Work Plans with the scope appropriate to each situation. This typology is linked to Audit Risk Evaluation, and determines the Work Plans to be used and involves an appropriate type of Recommendations and Reports, meaning that, therefore, it should be explicitly used in said documents.

- Guiding and coordinating the internal audit and control work of the Companies and Business Units, defining a procedure for notification of said work and communication with the parties concerned and establishing a coding system for the work, so that it can be properly controlled and monitored.

- Defining the communication process for the results of each piece of audit work, the persons affected and the format of the documents in which it materializes.

- Reviewing the application of the plans, the appropriate performance of the work, the prompt distribution of the results and monitoring of the recommendations and their corresponding implementation.

The main objective is to control the audit risk, with this being understood as any risk that affects the business and that can be estimated, evaluated and controlled by Management.

Each Abengoa activity, project and company must have a preliminary evaluation of the audit risk that allows appropriate planning of the reviews to be performed. This risk estimate must follow objective criteria common to the entire Group and will be the responsibility of the Internal Audit and Control Department, at the level of Pooled Services that corresponds to each specific case.

In relation to the above, the Internal Audit and Control function should exceed a mere supervisory approach and, without decreasing the inspection and review activity, must actively promote enhancements with immediate repercussions on the optimization of processes and businesses, the obtaining of synergies and, in short, the creation of value for Abengoa.

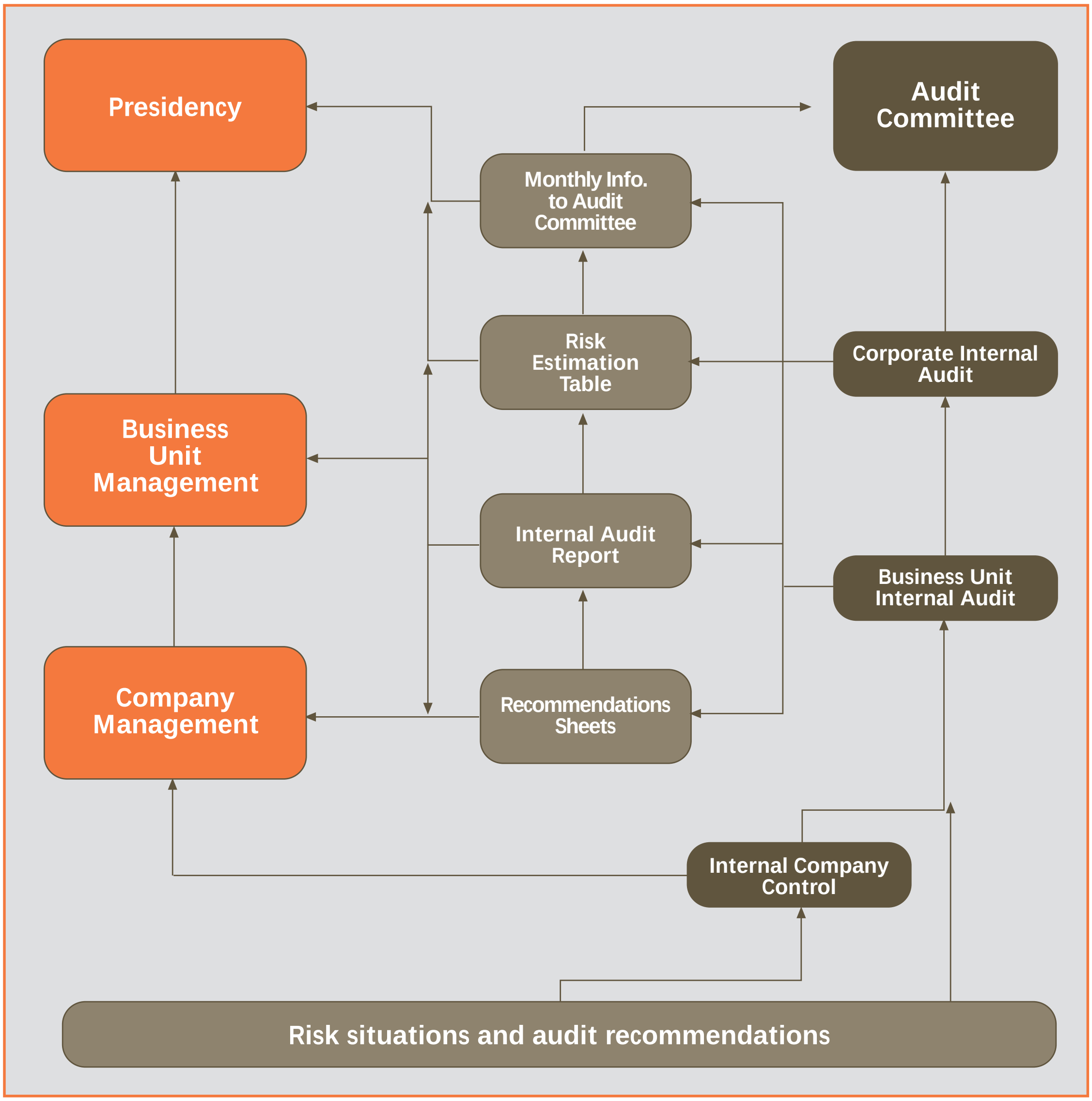
In both the focus of the work, and the planning, performance, documentation, programs and communication of the results thereof, coordination with the external auditors must prevail, so that the work of the two functions is not duplicated and Abengoa's Internal Audit and Control procedures are validated and may be deemed to be adequate audit proof to support the external auditor in his/her opinion.

To attain this objective, a standardization of all the work cycles and documentation that contribute to the consistency of the work of Abengoa's internal auditors will be fomented.

Following the doctrine of The Institute of Internal Auditors and its Spanish branch, Instituto de Auditores Internos, the ultimate purpose of this structure is to provide the Management of Abengoa and of each of its Business Units with an extra "control" flow of information, running parallel to the normal hierarchical flow, but with permanent horizontal information channels between each one of the hierarchical levels of the Companies and Business Units and their corresponding Internal Audit services, applying clear and transparent criteria and safeguarding the confidential information involved.

This structure is shown in the following diagram:

Information Flow



Audit and Control Committee

The Audit Committee's duties include "supervising the internal audit services" and "to know the company's financial information and internal control systems processes".

The person responsible for Corporate Internal Audit informs the Committee systematically in relation to its own activities of:

- The Annual Internal Audit Plan and the extent to which it is met;
- The extent to which the recommendations issued have been implemented;
- An adequate description of the main areas reviewed and the most significant conclusions;
- Any other more detailed explanations the Audit Committee may require.

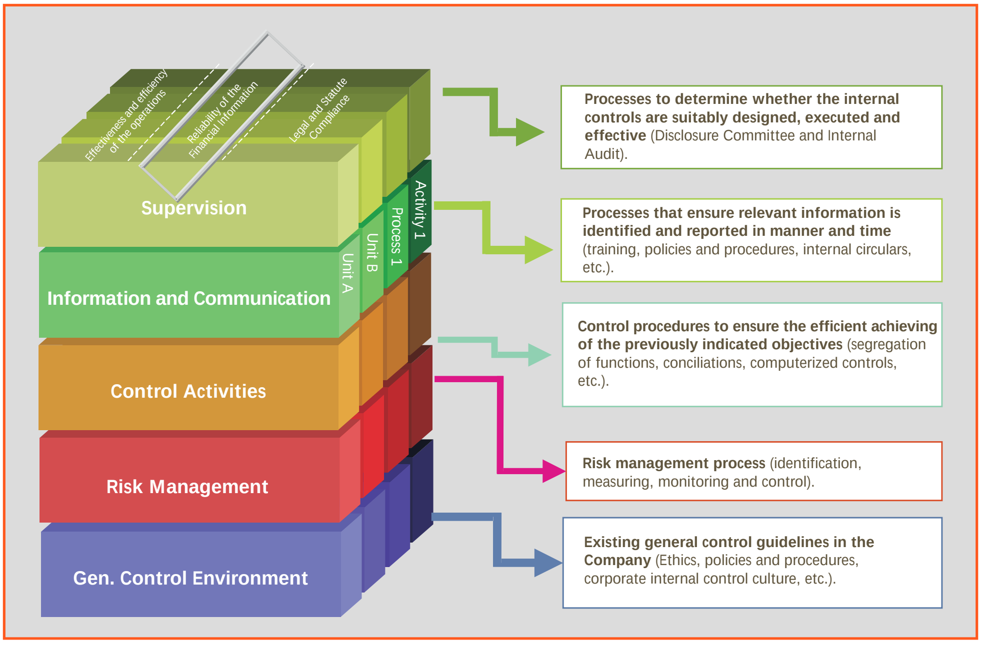
There are Audit Committees in other Group Companies, which are informed by the person responsible for the Internal Audit of the relevant Business Unit.

3.2.3 Progressing in control processes;

During the 2004 financial year, another step was taken to enhance Abengoa's Risk Management Model with the commencement of the adaptation project to the recommendations made in the Sabarnes-Oxley (SOX) Law.

Although the aforementioned Law corresponds with the rules of obligatory fulfillment for companies and groups listed on the North American market, according to instructions from the Securities and Exchange Commission (SEC), Abengoa believes that, not only must its subsidiary Telvent GIT, S.A., listed on the NASDAQ, comply with these obligations, but all the other group companies must do so also, given that it leads to advances being made in the enhancement of control and risk mitigation processes.

Therefore, the conceptual reference framework taken is the COSO which is that closest to the approach required by the SOX and in which internal control is defined as the process executed with a view to providing a reasonable degree of security as regards the meeting of objectives such as compliance with legislation and regulations, reliability of the financial information and effectiveness and efficiency of the operations.



Therefore, the project that commenced in 2004 and will finalize in 2005, involves aligning Abengoa's risk management model with this conceptual framework, by developing and defining the processes that must be implemented, as well as the risks and controls required to meet the recommendations of the SOX.

3.3. Compliance with the Annual Internal Audit Plan

The Annual Internal Audit Plan is drawn up each year and the scope thereof is determined by:

- The evaluation of the risk of the different companies, areas and projects
- The circumstances in each one of them at any given moment
- And the requirements of the Audit Committee

The evaluation of the audit risk is performed for each Project, Company and Business Unit. In this respect, audit risk is defined as any possible event that might have a negative affect on the business, such as fraud, capital losses or operating inefficiencies. The risk evaluation allows us to discover the areas on which our attention and work must be focused.

Planning seeks to guarantee that the risk areas identified will be covered by work that mitigates or eliminates the risks and allows them to be adequately identified, controlled and monitored. The result of this planning is the Annual Internal Audit Plan.

The Annual Plan establishes the types of works to be performed and the scope of each one of them. Depending on the proposed scope, general company reviews, reviews of specific areas, procedure reviews or special works are proposed.

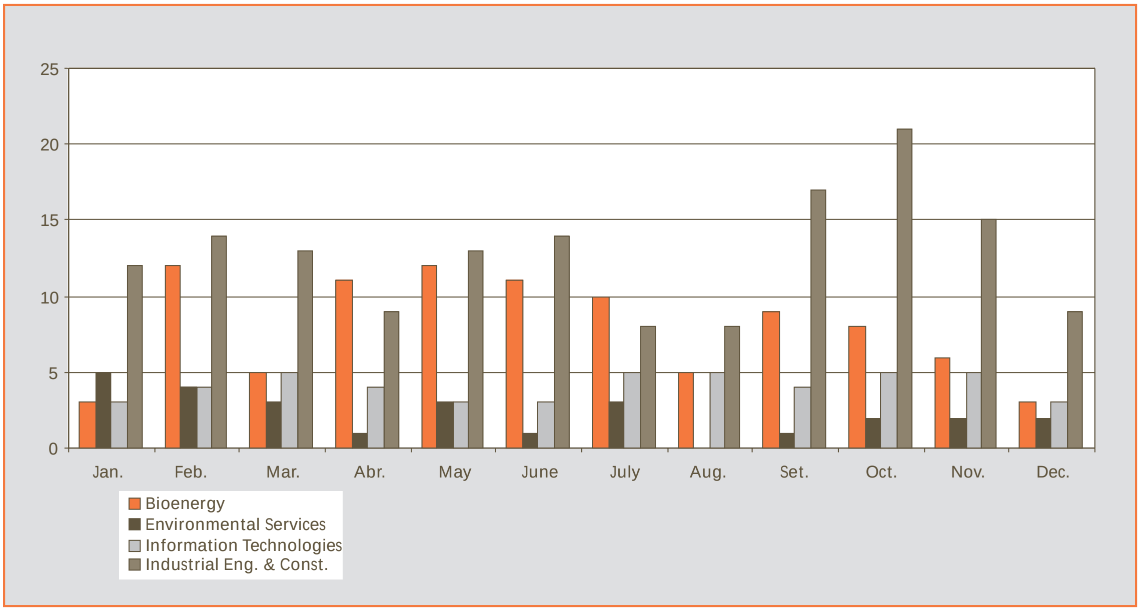
The Annual Plan is continually monitored by the Audit Committee, which is informed systematically on both the progress thereof and the results obtained in the reviews performed.

For each of the planned tasks, once the field work has been done, recommendations are identified that imply, not only that both legal and internal regulations are applied, but also that the best management practices in the pertinent area of activity are incorporated. These recommendations are classified as major or minor, depending on the importance of the area affected or, if it were the case, the economic impact they imply.

In the 2004 financial year, a total of 324 tasks were performed. The Annual Audit Plan for the year included 322 tasks and, thus, compliance was 101%. The two additional tasks that were not included in the Plan relate mainly to Due Diligence carried out in processes to acquire companies or obtain shareholdings therein.

As a consequence of these tasks, 109 major recommendations were issued, 66 of which have already been implemented, while the remainder are in the process of being implemented by the different companies.

The following graph shows the monthly evolution by Business Unit of the works performed during the 2004 financial year:



3.4. Monitoring the External Audit

The Audit Committee is responsible for supervising the results of the external auditors' work. Therefore, it is promptly informed of their conclusions and of any anomalies detected in the course of their reviews.

The external auditor must attend Audit Committee meetings whenever required to do so, in order to inform on the area of his/her competencies, relating mainly to:

- The review of the financial statements of the consolidated group and its companies and the issuance of an audit opinion thereon.

Although the scope of said opinion is the financial statements as of December 31 of each year, the work performed by the auditors in each one of the companies includes a review of the previous accounting period end, which is usually that of the third quarter of the financial year (September), in order to anticipate any significant matters or operations that have arisen up to that date.

In addition, during the 2004 financial year, reviews have been performed, for the first time, on the quarterly financial statements drawn up in order to submit the information required by the official bodies.

Likewise, as of the 2004 financial year, we would mention that the consolidated financial statements of the subsidiary Telvent GIT are also audited. These financial statements are drawn up with accounting criteria accepted in the United States (USA GAAP) upon the company having been listed on the NASDAQ towards the end of the financial year.

- Evaluation of the Internal Controls:

The advanced approach to auditing practice considers this to be part of an auditor's work, since this approach places more emphasis on the evaluations of the company's controls than on substantive proof. The external auditors must issue, in addition to their standard professional opinion, an internal control report that is the basis of their presentation to the Audit Committee.

- Matters of special interest:

For certain specific matters or operations, an advancement of the auditors' opinion on the accounting principles adopted by the company is required, in order for a prior agreement to be reached thereon.

Furthermore, the Audit Committee's duties include ensuring the independence of the external auditor, and proposing the appointment or renewal thereof to the Board of Directors.

Abengoa, S.A's statutory auditor is Pricewaterhouse Coopers, which is also the Group's main auditor. Nonetheless, a significant part of the Group, the Environmental Services Business Unit (Befesa) is audited by Deloitte. In addition, other audit firms also provide their services in small companies, both in Spain and abroad, although their scope cannot be considered to be significant.

Abengoa's policy is for all Group companies to be audited externally, even if they do not meet the requirements to make this compulsory.

The global amount of the fees agreed with the external auditors for the 2004 financial year audit, including the review of the periodic information and the audit under USA GAAP criteria of the company listed in the US, and the distribution thereof is shown in the chart below:

	Firm	Fees	Companies
Spain	PwC	383,309	26
Spain	Deloitte	327,042	22
Spain	Other firms	38,524	12
Abroad	PwC	809,730	48
Abroad	Other firms	96,896	16
Total		1,655,501	124

4. Monitoring of special projects.

Either in the course of ordinary audit work or upon new circumstances arising, situations that require special treatment and monitoring may exist.

The Audit Committee is empowered to request work to be carried out to meet specific objectives, or this work may arise at the initiate of Abengoa Management or the Internal Audit Department itself. In these cases, the Audit Committee shall be especially informed of said situations, the measures that are being applied and the results obtained. They may include, among others:

- Significant Risks:

When, due to the circumstances of a project or because of market changes, an important profit-making factor might be at risk, this must be dealt with separately and the Audit Committee must be systematically informed of the evolution thereof.

- Frauds:

Likewise, when, either due to an ordinary audit procedure or specific information, a potential risk of fraud is known of, a special review must be made and followed up, and the Audit Committee systematically informed.

- Changes in legislation:

The existence of changes in the accounting or tax legislation may have significant impacts on the financial statements of Abengoa and its group of companies and we must be in a position to anticipate this. Therefore, in these cases, special projects will be established to monitor the adaptation to, and impact of the changes, in detail. The Audit Committee shall be promptly informed and may be required to participate directly in the matter.

In this sense, in the course of the 2004 financial year, the project to adapt Abengoa's financial statements to the IAS (International Accounting Standards) has been in progress.

At present, the project is at an advanced stage and will culminate with the presentation of the annual accounts for the 2005 financial year being prepared in accordance with the IAS in fulfillment of the legislation in force.