ABENGOA

Comisión Nacional del Mercado de Valores (CNMV)
Dirección General de Mercados e Inversores
C/ Serrano, 47
28001 Madrid

Seville, September 26 2007

Dear Sirs,

This letter is a response to your request for information file registry number 200748303 in which you ask for certain additional information on the audited annual accounts of Abengoa, S.A. and subsidiary companies for the year ending on 31 December 2006 by virtue of the provisions of articles 85 and 92 of the Law on Securities Markets.

The aforesaid annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission, and we believe that the information shown in said annual accounts fulfill the objective of showing the utmost transparency, relevance and reliability. In this regard, we have also taken into account the application of the concept of materiality as detailed in IAS 1.31, which indicates that it is unnecessary to comply with a specific information requirement of a Standard or Interpretation, if the information in question lacks relative importance. Notwithstanding the foregoing, we provide below the information requested on the following points:

1. Information on Financial Instruments

When preparing the information provided in the consolidated annual accounts on the details requested, we have taken into account IAS 1.31 on materiality and paragraph 54 of the NIC 32 "Financial Instruments: Presentation and information to be disclosed," which states that "determination of the degree of detail of the information to be disclosed on each particular financial instrument is an issue at the discretion of the entity, which must take into account the relative importance of each of these instruments."

On the basis of this consideration, the information provided on derivative financial instruments is included in the notes to the report 12, 18, 31 and 32 attached to the Statement of Financial Position and the State of Changes in the Consolidated Net Assets.

To meet your request, we can provide you the following additional information:

a) As regards the Interest Rate Derivative Financial Instruments as of the end of the fiscal years 2006 and 2005, as referred to in note 3.1 d) of the report, the general interest rate hedging policy is based on the trading of call options for premiums through which the company ensures payment of a fixed maximum interest rate. In addition, in certain situations the company uses swaps of variable to fixed rates.

As a consequence, the notionals covered, the strikes contracted and the maturities for 2006 and 2005, in accordance with the characteristics of the debt whose interest rate risk is being hedged, are quite disparate, where we encounter the following:

1) Loans with lending institutions; hedging of between 80 and 100% of the notional, with maturities until 2012 and average rates insured between 2.3% and 5.75%.

2) Non-recourse finance;

2.1) Non-recourse finance in euros; hedging between 70 and 100% of the notional, with maturities until 2030 and average insured rates between 2% and 5.75%.

2.2) Non-recourse finance in US dollars; hedging between 50 and 100% of the notional, with maturities until 2023 and average insured rates between 4.85% and 8%.

In addition, there is live factoring hedging in euros of between 80 and 100% of the amount, with maturities until 2010 and insured rates between 2.1% and 4.5%.

b) Below are details on the derivative financial instruments of collections and payments in foreign currencies as of the end of the fiscal years 2006 and 2005 (in thousands of €):

Exchange rates	Collection hedging		Payment hedging	
	2005	**2006**	**2005**	**2006**
Bath (Thailand)	-	2,.344	-	513
Dinar (Jordan)	1,081	767	-	-
Dirhams (Morocco)	5,545	2,461	-	-
Dollar (Canada)	1,240	702	602	248
Dollar (USA)	38,177	37,534	113,185	62,643
Euro	507	237	13,830	23,737
Franc (Switzerland)	-	-	1,700	-
Real (Brazil)	2,455	1,840	-	-
Qatari (Qatar)	3,481	2,867	-	-
Yen (Japan)	-	2,338	-	-
Total	**52,486**	**51,090**	**129,317**	**87,141**

c) Concerning inventory hedging contracts, as indicated in note 2.10 of the annual accounts report of Abengoa for 2006, we would indicate that a number of Abengoa operations through its business groups (bioenergy, environmental services and engineering and industrial construction) expose the group to risks related to the reasonable values of certain assets and supplies (zinc, aluminum, grain, ethanol and gas, mainly). To hedge these, Abengoa uses future contracts on these assets and supplies.

Below are details on the sums insured and the maturities of the derivative financial instruments of commodities as of the close of 2006 and 2005:

2006	Ethanol (gallons)	Gas (MWh)	Grain (Bushels)	Zinc (Tons)	Aluminum (Tons)
2007	23,125,000	1,625,233	12,900,000	71,229	6,650
Following	14,405,000	163,142	5.985,000	296,060	9,200
Total	**37,530,000**	**1,788,375**	**18,885,000**	**367,289**	**15,850**

2005	Ethanol (Gallons)	Gas (MWh)	Grain (Bushels)	Zinc (Tons)	Aluminum (Tons)
2006	11,589,900	432,837	4,600,000	14,850	11,040
Following	13,000,200	229,299	6,885,000	18,000	6,460
Total	**24,590,100**	**662,136**	**11,485,000**	**32,850**	**17,500**

2. Information on the acquisition of BUS

In addition to the comment in the note to report 6.2 of the Consolidated Annual Accounts of Abengoa for 2006, the balance sheet of the company acquired (BUS Group AB) does not valuate derivative financial instruments. At the time of acquiring the company, said derivatives were valued at their reasonable value (18.9 million negative euros) when assigning the cost of merging the businesses.

Cancellation of the hedging was directly attributable to the merger, as the agreements signed for the acquisition of BUS established a triple obligation for the buyers: payment of the price of the shares, assumption of the debt and cancellation of the hedging maintained by BUS to date, thus resulting in higher costs for the transaction, though necessary for its completion.

3. Information on financial risk management

In addition to remarks in report note 3 of the Consolidated Annual Accounts of Abengoa for 2006, in Abengoa the derecognition of factorized debit balances is done whenever all the conditions obtained as indicated in IAS 39 for their removal from the asset side of the balance sheet. That is, an analysis is made as to whether a transfer has occurred of the risks and benefits inherent to ownership of the related financial assets, comparing the exposure of the company before and after the transfer, the variation in the amounts and in the calendar of the net cash flows of the asset transferred. After the exposure of the assignor company to said variation is eliminated or substantially reduced, then the financial asset in question has been transferred.

In general, Abengoa defines the most significant risks in these assets within its operations as the risk of non-collection, as a) it can be significant quantitatively in the progress of a project or service provision; b) it is not under the control of the company. In like manner, the risk of late payment is considered to be insignificant in these contracts, as it is generally related to problems of a technical nature, that is, related to the risk inherent to the technical nature of the service provided, and is therefore under the control of the company. In any event, to hedge the contracts in which the possibility of late payment by the customer with no business reasons may conceivably be identified as a risk related to the financial asset, Abengoa's policy is to not only hedge the risk of legal insolvency (bankruptcy, etc) but also the factor of notorious insolvency, which occurs as a result of the cash management practices of the customer without cases of general moratorium. Consequently, and if the individual evaluation of each contract leads to the conclusion that the relevant risk associated to these contracts has been assigned to the financial institutions, said receivables are removed when the assignment is made to the financial institution on the basis of IAS 39.20.

Further, and as indicated in the report note 3.1 b) on the credit risk of the Annual Accounts of Abengoa for the years ending in 2006 and 2005, the company has non-recourse factoring lines for an approximate amount of 1,200 M Euros (1,400 M Euros in 2005) of which approximately 470 M Euros were factored at the end of the 2006 fiscal year (305 M Euros in 2005) and removed, in accordance with IAS 39.

4. Information on borrowed funds at zero interest

The report note 22.7 of the Consolidated Annual Accounts for 2006 includes the long-term payable balances with official institutions (Ministry of Industry and Energy and others) for the repayment of subsidized loans at zero interest for research and development projects. As of the end of 2006, the sum of this concept totaled 28,736 thousand €.

These transactions are not expressly regulated. Consequently, we believe they are to be considered government assistance as defined in paragraph 37 of IAS 20. Consequently, the Consolidated Annual Accounts do not include monetary earnings from the same through the imputation of interest.

In the event of recording the items specified in paragraph 43 of IAS 39, the accounting treatment would have been as follows:

(a) record the soft loan at its reasonable value at the time of its initial recognition as per IAS 39 for 25,137 thousand €,

(b) the proportion of the difference between the cash received and the reasonable value to be used for the purchase of assets of 3,599 thousand € is offset against the cost of the asset (this treatment has the same effect as recording the difference as a capital subsidy, recognizing it as a deduction from the value of the assets related to it, according to the requirements in paragraph 24 of IAS 20 and, therefore, the cost of the asset and its accrued amortization throughout its useful lifetime will be reduced by the amount offset), and

(c) thus, the expenses from interest related to the loan, using a financial criteria for an approximate sum of 3,599 thousand € to be deferred during the amortization period of the assets.

This alternative treatment would not, therefore, have had any effect on the earnings or financial position of the Consolidated Annual Accounts of Abengoa for 2006. Abengoa believes, in any event, that the treatment followed for the preparation of said Consolidated Annual Accounts is consistent with the Financial Reporting Standards (FRS) adopted by the EU.

5. Information on fiscal situation

In addition to the report note 24.4 of the Consolidated Annual Accounts of Abengoa for 2006, we would indicate that liabilities for deferred taxes charged against the net assets in 2006 reflect mainly the results obtained in valuations based on IFRS of contracts for certain hedging transactions.

The sums shown in Other Movements in report note 24.4 for the assets and liabilities for deferred taxes in 2005 and 2006 reflect mainly the variations in the consolidation perimeter in these years.

6. Information required under EU IFRS

In report note 2.7 of the Consolidated Annual Accounts of Abengoa for the year 2006, the costs for interest incurred for the construction of any qualified asset are capitalized during the period necessary to complete and prepare the asset for use (Abengoa defines a qualified asset as one whose construction of production has a duration of more than one year).

In this regard, they are considered capitalizable whenever they are likely to generate future earnings for the company and can be valuated sufficiently reliably.

The rest of interest costs are recorded in expenses in the year in which they are incurred. Accordingly, the sums capitalized for 2006 and 2005 were 62,627 and 40,956 thousand € respectively, mainly with application of the mean benchmark interest rates in the market of Brazil (between 8.0 and 11.0%) for non-recourse finance of projects being implemented in that country, as indicated in note 8 of the consolidated report.

In addition to the indications contained in report note 22.8 of the Consolidated Annual Report of Abengoa for 2006, we can provide the information shown in the chart below:

Financial leasing	Balance as of 31.12.06	Balance as of 31.12.05
Present value of leasing payments	13,923	29,721
Financial leasing liabilities for minimum leasing payments:		
- Between 1 and 5 years	13,809	23,577
- More than 5 years	3,139	7,586
Net book amount of assets:		
- Plant and machinery	30,718	26,874
- Other fixed assets	7,518	11,237

In addition to the indications in note 5.1 c) of the Consolidated Annual Accounts of Abengoa for 2006, we can say that the amounts for the acquisition of assets, amortization and depreciations expenses and costs which did not involve cash payouts are as follows:

Information by segments	Bioenergy	Environmen-tal services.	Info tech	Engineering, and industrial constr.	Corp. Activity and adjustments	Total
2005						
Asset costs	61,177	19,416	10,589	105,613	389,592	586,387
Amortization and depreciation expenses	11,920	12,242	8,403	15,094	5,247	52,906
Expenses with no cash payouts	16,438	65	6,417	21,360	15,824	60,104
2006						
Asset costs	170,456	285,501	38,006	345,874	78,408	918,245
Amortization and depreciation expenses	15,374	12,967	10,065	20,753	9,520	68,679
Expenses with no cash payout	11,012	3,354	6,038	15,792	11,823	48,019

Moreover, we would indicate that the customer balances and other receivables, current financial investments and cash are the main financial assets of Abengoa, reflecting the maximum exposure to credit risk, in the event the third counterparty fails to meet its obligations.

As indicated in point 3 above, the policy of Abengoa is to transfer the credit risk associated with the items included in the customer balance and other receivables through the use of non-recourse factoring contracts. Consequently, on the customer balance and other receivables, we would have to exclude the potential effect of customer balance for completed work pending certification for which there are factoring contracts, the effect on other customer balances that can be factored but which have not yet been sent to the factoring entity by the end of the fiscal year and other assets covered by credit insurance and recorded in said balance, As a result, with this policy, Abengoa minimizes its exposure to credit risk for said assets.

Finally, concerning the reminder information in the letter on the State of Valuation of Changes in the Net Worth and on the classification of Inventory and Construction Contracts, we thank you for this information, which will be taken into account for the preparation of the Annual Accounts of 2007, though we would note that advances on non-invoiced work have been duly recorded and classified as customer debits.

In the hope that we have sufficiently answered your request, we are at your disposal for any further clarifications you should consider necessary.

Sincerely,

Miguel Ángel Jiménez-Velasco Mazarío
General Secretary