Consolidated Management Report for the Year 2007

(Free translation from the original in Spanish)

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1.- Introduction.

1.1. The present Directors' Report is formulated in accordance with articles 171 and 202 of the Revised Text of the Limited Liability Companies Law, article 49 of the Commercial Code and the Seventh European Council Directive of June 13, 1983 (83/349/EEC).

Abengoa, S.A. is an industrial and technological company that, at the end of the year 2007, held a group formed by the following companies: the parent company itself, 434 subsidiaries, 20 associated companies and 25 Joint Ventures. Likewise, the differente companies in the Group take part in 329 Temporary Consortiums. In addition, the Group companies owns shareholdings of less than 20% in other companies.

Apart from this legal corporate structure, for operating management and administration purposes, Abengoa acts through the organizational structures, described in point 2.1. below.

1.2. In order to accurately measure and evaluate the business and the results achieved by Abengoa, the basis used must be the consolidated figures, which reflect the evolution of the business.

In addition to the accounting information provided in the Consolidated Financial Statements and in the present Management Report, Abengoa is publishing an "Annual Report" describing the most important achievements in the year 2006. This Report is available in Spanish, English and French. Said Annual Report, which is printed before the General Shareholders' Meeting at which the Financial Statments for 2006 are to be approved, includes both the consolidated financial statements of Abengoa and a description of the business strategy objectives and the most relevant accomplishments of the five Business Groups into which Abengoa was structured at December 31, 2006.

The mentioned Annual Report will be available in Internet, at the address www.abengoa.com.

The obligation to provide the market with useful, truthful, complete and balanced information in real time would not be sufficient if the appropriate means of transmitting this information are not adequate, guaranteeing that it is disseminated effectively and usefully. Therefore, as a result of new technology, the Aldama Report, the Financial System Reform Act and the Transparency Act recommend and impose the use of listed companies' websites as an information tool (including historical, qualitative and quantitative company data in it) and as a distribution tool (including current or personalised information in real time that may be accessed by investors).

Abengoa has therefore introduced a new website during 2007, characterised firstly by a more direct, rapid and efficient on-screen presentation and secondly by a broad and comprehensive information content and documentation made available to the shareholders in particular and to the general public.

Furthermore, this web page also provides the regular information (quarterly or six-monthly) or significant events that it is compulsory for Abengoa to notify to the Stock Market National Commission under stock market rules. It is also possible to request a printed copy of the Annual Report from the aforementioned Internet address.

1.3. The shares of Abengoa, S.A. have been listed on the stock exchange since November 29, 1996 and the Company files the legally required quarterly and six-monthly information.

All the shares of Abengoa, S.A. were first quoted on the Madrid and Barcelona Stock Exchange Markets and in the Stock Exchange Interconnection System on November 29, 1996. Simultaneously, a public offering was made by their shareholders Inversión Corporativa I.C., S.A. and its subsidiary Finarpisa, S.A., together with other shareholders.

For the two processes (listing and public offering), Abengoa published an Admission Prospectus and, together with their shareholders, the Initial Public Offering Prospectus. Both Prospectus were duly approved and registered by the Stock Market National Commission on November 12, 1996 and November 21, 1996, respectively.

The volume of shares included in the Public Offering was finally established at 33.03% of the share capital of Abengoa, S.A. and the offer concluded on November 29, 1996, the date on which the stock market operation was carried out.

According to the data supplied to Abengoa by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores S.A. (Securities Recording, Clearing and Settlement Management Company) for the last General Ordinary Meeting held on 15 April 2007, Abengoa, S.A. had 10,192 shareholders.

As on December 31, 2007, the company believes the free float to be 43.96% if the shareholding of Inversión Corporativa I.C., S.A. and its subsidiary Finarpisa (56.04%) is deducted.

According to the figures supplied to the company by Sociedad Rectora de la Bolsa de Valores de Madrid (Governing Body of the Madrid Stock Exchange) 134,132,538 shares were traded in 2007. The average volume of daily trading over the year was 530,166 securities. Minimum, maximum and average listed share prices in 2007 were 21.54 €, 37.50 € and 28.62 € respectively. The last closing price quoted for Abengoa shares in 2007 was 24.18 €, 13% less than on December 31, 2006, and 1,036% higher than the share price established for the Public Offering on November 29, 1996.

1.4. At Abengoa, we believe that the current global economy is not sustainable. Science has reached unequivocal conclusions: climate change is a reality. Given this unquestionable fact, today's society must look towards a new model of economic development based on the efficient use of natural resources and, in particular, the energy, water and waste that we generate.

At Abengoa we took this step more than a decade ago by applying innovative technological solutions. Our objective is to be a major force in the most important areas related to sustainable development:

1. In Renewable Energies, we aim to create two global leaders: In the production and commercialization of bioethanol for transport and in solar energy for the production of electricity and sale of associated technologies.

2. In Water, we are creating an international leader in the desalination and water transport market.

3. In Waste Management, we are the leaders in certain markets for zinc, aluminium and associated services.

4. We are creating an international leader in Information Technologies with high added value for the efficient management in sectors such as energy, transportation, environment, public administration and global services.

5. In Industrial Engineering and Construction, we are leaders in the market for a renewable energy infrastructure, transport systems and electricity.

6. We are creating new horizons for growth by developing businesses with high potential related to other renewable energies such as hydrogen and the management of greenhouse effect gas emissions.

We believe that offering innovative technological solutions and reaching positions of global leadership in these markets will lead to the creation of value in the long term. Our objective is to maximise the value of the company by generating profitable growth through innovation.

We have already made significant progress: 1) Over the last decade we have provided new solutions for the creation of a sustainable economy; 2) We have businesses, with good prospects for growth, which are technological and market leaders on an international scale; and 3) We have obtained significant and sustained increases in our main fi nancial fi gures. For example, during the period 1996-2007, Abengoa's revenue has grown at a compound average rate of 17%, the gross operating cash flow has increased by 21% and profit per share has increased by 20%.

Thanks to the efforts of the 20 000 people that make up Abengoa's workforce, we ended the year 2007 with M€ 3,214 of revenue (+20.1%), M€ 452 of gross operating cash flow (+57.2%), and M€ 120 of net profi t (+20%). But, above all else, during the year 2007 we were able to consolidate a portfolio of businesses based on sustainable development with potential for profitable growth. We are in an excellent position, with prospects for another decade of growth equalling that of the past ten years and opportunities for the creation of value in all of our activities.

Our businesses that we call of horizon one (generators of cash flow and profi tability in the short term) include four activities that, in 2007, brought in a total of M€ 2,374 in revenue and M€ 350 in operating cash flow.

1) Industrial Engineering and Construction: we are the second largest international power contractor of electrical installations (ENR report, December 2007), serving more than 1,700 internal and external clients. Profi table growth of this business is on track as in 2007 we were awarded important contracts allowing us to end the year with a portfolio of more than M€ 6,000.

2) Transmission of electrical energy: we are one of the main owners and licensees of lines spanning more than 4,500 km in Latin America, with an investment of M€ 1,400. Over the next few years we will have the opportunity to continue growing in several countries, by means of new contracts and by participating in the consolidation of this sector.

3) Recycling of industrial waste: we are creating an international leader. We are already leaders in Europe (zinc and aluminium) and in Spain and Portugal (management of industrial waste in general). In 2007 the company "BUS," acquired at the end of 2006, was incorporated into the zinc recycling business and a merger has been agreed with Alcasa for the recycling of aluminium. These two operations enable the creation of value from the beginning and the creation, in Europe, of more efficient businesses. This solid base will enable us to benefit from opportunities for consolidation and growth in countries that will implant more demanding regulations over the coming years.

4) IT Systems: we have a leading international position in the provision of information tecnologies with high added value for the management of sectors such as energy, transportation, environment, public administration, and global services. In 2007, we incorporated two traffi c and transport companies acquired in the United States and taken a majority stake in Machmind (Spain). Over the next few years, we expect organic growth deriving from our clients' requirement for systems and services with a high added value. We shall continue to expand our technological and geographical base by means of acquisitions when these enable the creation of value.

In the businesses that we call horizon two (profitable growth over the next few years) we have two activities:

1) Bioenergy: we have an excellent international position in the production and sale of bioethanol and status as the only producer present in the three main markets (United States, Brazil and Europe). This market has been growing at 25% annually and is expected to continue to grow at a similar rate within the context of expensive oil and government support for biofuels in most countries. In fact, in 2007 the United States approved an "Energy Bill" that envisages multiplying the market by fi ve over the next fifteen years, whilst various European countries have approved legislation in order to fulfi l the planned growth targets In this context, our strategy is to occupy positions in the main markets that are ideal, from a logistic point of view, to increase commercial penetration and prepare us for the second generation of bioethanol, which we have been developing for several years at pilot plants.

In 2007 a new plant in Nebraska was commissioned along with partially a plant in Lacq (France) and the construction of three new plants in the United States and Holland was commenced. We have also entered the Brazilian market with the acquisition of Dedini and we have won a bid to build, with the support of the United States Energy Department, the fi rst second generation commercial plant. Over the next few years we expect an increase in revenue and profi tability, despite the volatility of results that characterizes first generation biofuels. But this investment made will allow us to produce the second generation of cellulosic bioethanol as the international leader with regards to operational efficiency and commercial and logistical presence. This, together with the second generation technology that we are developing, will give us a signifi cant competitive advantage in this high growth market.

2) Water: we are one of the fi ve largest companies in the world involved in the construction and ownership of desalination assets or concessions. It is a market that has been growing at a rate of approximately 10% per year. We are the leader in infrastructure in Spain. In 2007, we began the construction of two large desalination plants in Algeria and one in India. We also have a project in China, which we will start soon. Over the next few years we expect to be awarded new contracts in various countries as a result of our commercial activities.

In the business of horizon three (generators of future growth) we have started new activities in various markets with high potential. Some of them shall become in the future businesses of horizon two and horizon one:

- Solar Power: we are one of the world's pioneers in large solar plants connected to the grid. During 2007, the first commercial thermosolar power tower in the world was put into service.At the end of 2007, 170 MW of solar power facilities were under construction in Spain, Algeria and Morocco. Over the next few years we expect signifi cant growth given the present portfolio of projects being promoted.

- Hydrogen: we have created one of the pioneering companies in investigation dedicated exclusively to hydrogen technologies as a future energy vector.

- Management of emissions: we have a company that is focused on the management of emissions rights and the development of projects for clean development mechanisms. We are also working on pioneering projects related to the capture and sequestration of CO2 and energy efficiency.

In order to attain these objectives, in 2007 we reinforced the capacities that enable use to achieve profi table overall growth in markets with a signifi cant technological component. Over the next few years, it is essential to continue reinforcing our capacities in the following areas, which are critical for our development:

- R&D&I: in 2007 we invested M€ 55 and we employ 460 professionals that work with investigation centres and universities in several countries.

- Internationalization: in 2007 62% of our business and 56% of our staff were located outside of Spain and we have a strong presence in markets such as United States and Europe and in economies with high potential for growth such as Brazil, China and India.

- Financing: in 2007 we obtained an additional M€ 859 in corporate fi nancing with favourable conditions and arranged non-resource project financing for a total of almost M€ 1,200. This puts us in a better position to deal with the present scenario of increased uncertainty.

- Risk control: in 2007 we continued to develop system and tools allowing us to identify and manage the fi nancial and operational risks related to our businesses. For example, this year Abengoa carried out an SOX audit in accordance with the criteria of the strictest financial markets.

- IT and management systems: in 2007 various mobile management systems were implemented that make decisionmaking, management and control of the businesses in an international context more agile.

- Attraction, Development and Retention of talent: in 2007, 1,700 new employees were recruited, more than 660 thousand hours of training were provided and our potential executives programme was developed.

- Social responsibility, transparency and communication: in 2007 we continued our efforts to promote culture through the Focus-Abengoa Foundation, with actions such as the purchase of the Velazquez' "Santa Rufina" painting, the implementation of social policies and the promotion of knowledge regarding solutions for sustainable development. From the beginning of 2008, we have had a new web page that increases the company's level of transparency.

In short, 2007 has been used to reinforce our position in all of our activities, improve our performance and prepare for profitable growth. A signifi cant part of our businesses are stable with high cash flow. In some businesses we are leaders in high-growth markets and other businesses have high potential for growth. Thanks to this position, which we have reached over the past few years, one of our main challenges continues to be choosing between the opportunities for growth that are available to us and assigning our resources to the activities with the greatest potential for the creation of value.

Obviously, there are risks and challenges ahead. In some of our markets the regulations are becoming stricter, financial conditions are becoming less favorable, and detractors of innovation continue to express opinions based on erroneous data about renewable energy. However, the demand for innovative solutions to ensure sustainable development will continue to grow and our presence in various different sectors will protect us. If we are capable of successfully innovating and managing our activities, as we have done in the past, we will create value for our shareholders and contribute to looking after the world that we will hand over to future generations.

At Abengoa, we deliver solutions that contribute to sustainable development:

- By generating energy with renewable sources:

    - In the United States, we have an annual ethanol production capacity of 752 Ml; in Europe, our production capacity is 596 Ml of ethanol per year; and in Brazil we have the capacity to mill 5.7 Mt of sugar cane each year, equivalent today to 130 Ml of ethanol and 537,000 t of sugar produced each year. All of this eliminates the emission of 1,936,000t of $CO2$ into the atmosphere.

    - We have an output capacity of 13 Mw of solar-based energy, equivalent to the consumption of 19,000 people, reducing $CO2$ emissions by 7,800 t.

    - We anticipate that, following the commercial start-up of 400Mw which are currently under construction and development, $CO2$ emissions eliminated will total 990,530 t.

- By recycling industrial waste:
  - We treat over 2,600,000 t of industrial waste, for production of new materials by recycling more than 1,270,000 t.
- By generating and managing water:
  - We have the capacity to desalinate over 1M m3 of sea water each day, which allows us to supply water to over 4.5 M people.
- By creating infrastructures that eliminate new investment in assets that generate emissions:
  - We produce 1,522,411 MW/h of power annually through co-generation, representing a 410,789 t-reduction in CO_2 emissions if this energy were produced in thermoelectric coal plants.
  - In the coming years our biofuel plants will reach annual production of 1,690 ktep, reducing CO_2 emissions into the atmosphere by 3.9 Mt each year.
  - We are currently working on the construction of the world's first two ISCC plants, using technology the key of which lies in the perfect integration of a combined cycle with solar energy.
  - Our thermosolar plants will generate more than 300,000 MWh and will reduce CO_2 emissions by 240,000 t each year.
  - In South America, we operate more than 3,600 km of transmission lines that transport clean and sustainable energy. And we are currently building 922 km in additional lines.
- By creating Information Systems that help to manage existing infrastructures more efficiently:
  - We manage over 60% of the hydrocarbon movements in the ducts in North and Latin America.
  - We ensure the proper distribution of over 1,000 Ml of gasoline each month, enough to fill the tanks of over 22 M cars.
  - We transport and distribute 140,000 GWh, supplying electricity to more than 80M people.
  - We control motor vehicle traffic in more than 7,000 intersections, which over 195 M people go through each day.
  - We manage the train and subway network trips of over 2,500 M passengers.
  - We facilitate take-off and landing of over 1,000 M passengers per year in more than 190 airports around the world.

- We provide online and telephone information on traffic conditions to more than 5 M people each month.

- We manage the distribution of water to over 45 M people in Europe, North America, Latin America and the Middle East.

- We monitor and report on the quality of the air which over 20 M people breathe in Europe and Latin America.

- We help more than 30 M European citizens to access and manage their electronic transactions with their public administrations, as well as other organizations and institutions.

- We monitor weather conditions and supply weather forecasts for over 30,000 km of highways in North America and Europe

1.5. Consolidated sales at 31/12/06 were M€ 3,214.5, a 20.1% increase on the previous year.

All of Abengoa's Business Units increased their sales figure over 20%.

	Solar	Bio.	Environ. Services	IT	Ind. Const. and Eng.	Corp. Act. and Adjust.	Total at 31.12.07
Net Turnover Assets	17,729	613,732	769,670	597,188	1,485,358	(269,212)	3,214,465
Gross Operation Flows (See Note 26)	9,529	79,809	123,791	55,936	203,979	(20,677)	452,367

	Solar	Bio.	Environ. Services	IT	Ind. Const. and Eng.	Corp. Act. and Adjust.	Total at 31.12.06
Net Turnover Assets	-	476,192	555,285	476,334	1,350,979	(181,604)	2,677,186
Gross Operation Flows (See Note 26)	-	49,930	58,031	42,349	161,464	(23,923)	287,851

The Gross Cash Flows from Operating Activities (earnings before interest, tax, depreciation and amortization, adjusted by the works flows done for own fixed assets) reached M€ 452.4, which represents a M€ 164.5 increase on the previous year (+ 57.2%)

Among the contributions to these Gross Cash Flows, of note is that from the Industrial Engineering and Construction business unit which increased considerably to M€ 203.9 (M€ 161.5 the previous year), which represents a 33.3% increase, and also that from the Environmental Services business unit with M€ 123.8 (M€ 58.0 the previous year), which represents a 113.3% increase.

It is important to consider the company's efforts in R&D&I activities, whose impact on the financial statements goes from M€ 23.2 in 2006 to M€ 41.9 in 2007 (up 80.4%).

The after tax result attributable to the parent company is 120.4 M€ which is a 20% increase on the 2006 financial year figure (M€ 100.3).

The above result means a profit of 1.33 € per share as against the 1.11 € per share obtained in 2006.

The non-recourse financing applied to projects has risen 34.7%, from M€ 1,253.9 in 2006 to M€ 1,689.2 in 2007.

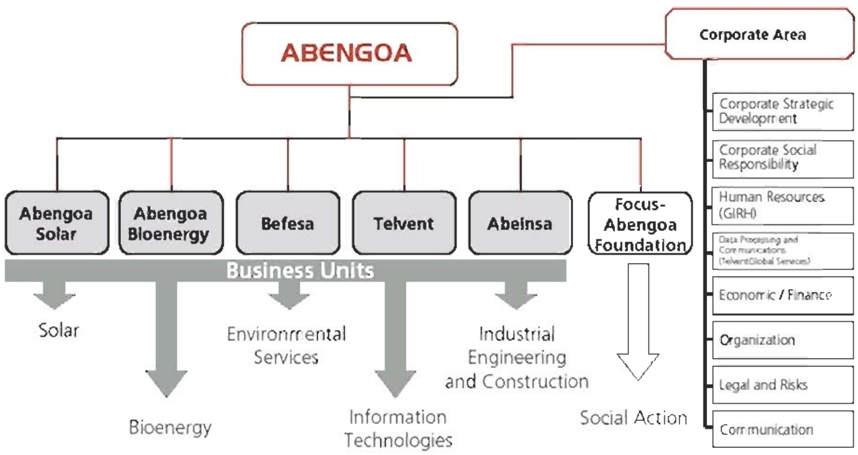
Abengoa's Net Debt in 2007 is M€ 234.3 (net debit position) as against M€ 153.8 (net cash position) in 2006.

2.- Comments on the Evolution of the Business and Overall Situation of the Companies Included in the Consolidation.

2.1. General description and organization.

Abengoa is a technology company applying innovative solutions for sustainability in the infrastructure, environment and energy sectors while contributing long-term value for our shareholders via management characterized by the fostering of business spirit, social responsibility and transparency and rigor in management.

We are present in more than 70 countries where we operate with five Business Units: Solar, Bioenergy, Environmental Services, Information Technologies, and Industrial Engineering & Construction.



The activities of the five Business Groups are as follows:

- **Solar.**

  At Abengoa Solar, we develop and apply technologies for generating electrical power with the Sun. To this end, we promote, build and operate concentrated solar power and photovoltaic electricity plants and develop and commercialize the technologies needed to do so (R&D&I).

- **Bioenergy.**

  Abengoa Bioenergy is its holding company. The Business Unit is dedicated to the production and development of biofuels for transport, bioethanol and biodiesel, among others that utilize biomass (cereals, cellulosic biomass, and oleaginous seeds) as the raw material. The biofuels are utilized for ETBE production (gasoline additive), or for direct blending in gasoline or gas oil. Given that they are renewable energy sources, biofuels reduce CO_2 emissions and contribute to the security and diversification of the energy supply while reducing the dependency on fossil fuels utilized in the transport sector and helping towards compliance with the Kyoto Protocol.

- **Environmental Services.**

  Befesa is an international company specialized in industrial waste management and water management and production. We manage more than 2.5 million tons of waste a year, of which 1.2 million tons are utilized to produce new materials by recycling, thereby eliminating emissions of more than two million tons of CO_2 per year. Our desalination capacity is one million cubic meters per day, sufficient to supply a population of 4.5 million.

- **Information Technology.**

  Telvent, the information technologies company for a sustainable and secure world, specializes in high-value-added products, services and integrated solutions in the Energy, Transportation, Environmental and Public Administration segments, as well as Global Services. Its innovative technology and proven experience help ensure secure and efficient management of the operating and business processes of the world's leading companies.

- **Industrial Engineering and Construction.**

  Abeinsa is Abengoa's leader in the business group dedicated to engineering, construction and maintenance of electrical, mechanical and instrumental infrastructures in the energy, industry, transportation and service sectors. It also promotes, builds and exploits conventional industrial power plants (co-generation and combined-cycle), renewable energy-based plants (bioethanol, biodiesel, biomass, wind, solar and geothermal), and manages networks and turnkey projects in telecommunications.

2.2. Recent evolution.

2.2.1. The evolution of the main balance sheet and profit and loss account figures over the last years is shown below:

Description	2007	Δ%	2006	1996	CAGR(*) (96-07)
	M€		M€	M€	%
Total Equity	797.5	47.4	541.1	160.4	15.7
Total Assets	8,110.2	49.5	5,427.0	538.4	28.0

Description	2007	Δ%	2006	1996	CAGR(*) (96-07)
	M€		M€	M€	%
Sales	3,214.5	20.1	2,677.2	578.8	16.9
Gross Cash Flows (1)	452.4	57.2	287.9	53.8	21.4
Pr. Attrib. to Parent Comp.	120.4	20.0	100.3	16.1	20.1

(1) Earnings before interest, tax, depreciation and amortization, adjusted by the works flows done for own fixed assets.
(*) CAGR: Compound Annual Growth Rate.

2.2.2. On the balance sheet, the most significant aspect is the increasing in the caption "Fixed Assets in Projects", which rose from M€ 1,146.9 in 2006 to M€ 1,638.1 in 2007, basically as a result of Intangible assets representing the investments in certain concessions located in Brazil and for the projects investments in the activities of water and environmental management, and of Bioetanol and Solar producing plants and installations belonging to the different Project promotion companies in which interests are held by other subsidiaries of Abengoa, S.A.

The investments in these promotion companies are generally made through Project Finance, a financing formula agreed with the financial institution whereby the latter recovers the financing through the funds generated by the project. This type of funding is, therefore, without recourse to the shareholders.

The balancing item of these investments appears in the balance sheet liabilities under the caption "Financing without Recourse Applied to Projects", which, at the 2007 year end totals M€ 1,186.0 under the long-term caption and M€ 503.2 at short-term, in comparison with 796.1 M€ and 457.8 M€ respectively in 2006.

The change in the size and structure of Abengoa's balance sheet in the last five years relates to certain actions, of which the final effect on the balance sheet may be seen in the following variations:

a) Acquisition in the year 2003 of Metso Corporation's Network Management Solutions Division through the 100% purchase of its subsidiaries in Canada and the United States, with a total investment of 35 MUSD.

b) Effective listing of Telvent GIT on the United State technological market Nasdaq. The total amount of the capital increase carried out, including the issue premium, was M€ 61.2.

c) Constitution of a Syndicated Loan in financial year 2005, composed of principal of M€ 500 with 7-year maturity, plus a revolving credit line of M€ 100 expiring in 6 years, arranged with 45 financial entities and structured in order to ensure that Abengoa's financial resources are adequate to achieve its Strategic Plan.

d) In 2006, the acquisition of 100% of the shares of B.U.S., Group AB, for a company value of M€ 330, through non-recourse financing signed with Barclays. On 4 December, the operation was approved by the German Competition Authorities.

e) Signature of a syndicated loan in 2007 for an amount of M€ 859. This operation serves to finance Abengoa's entrance into the Brazilian ethanol market, similar to its financing for investments in solar energy, desalination and transmission lines.

f) Acquisition of 100 percent of the capital of Dedini Agro (now Abengoa Bioenergia Sao Paulo). Dedini Agro is one of the largest bioethanol and sugar companies in the Brazilian market.

g) Agreement to acquire international company Matchmind. Under this agreement, Telvent initially acquires 58% of Matchmind, with the management team retaining a 40% share. Telvent will gradually increase its holding over the next three years until reaching 100%.

2.2.3. In the evolution of the Business Groups at the level of Sales and Gross Cash Flows, particularly notable is the growth experienced in Environmental Services, with a 38.6% increase in Sales and 113.3% in Gross Cash Flows:

	Sales 2007			Sales 2006		Sales 1996	
Business Group	M€	% over total	∆ 07/06 (%)	M€	% over total	M€	% over total
Solar	17.7	0.6	312.5	-	-	-	-
Bioenergy	613.7	19.1	28.9	476.2	17.8	-	-
Environmental Services	769.7	23.9	38.6	555.3	20.7	46.3	8.0
Information Technology	597.2	18.6	25.4	476.3	17.8	138.9	24.0
Engineering and Industrial Construction	1,485.4	46.2	10.3	1,351.0	50.4	393.6	68.0
Corporate Activity and Adjustments	(269.2)	-8.4	-	(181.6)	-6.8	-	-
Total	**3,214.5**	**100.0**	**20.1**	**2,677.2**	**100.0**	**578.8**	**100.0**

	Gross Cash Flows 2007			Gross Cash Flows 2006		Gross Cash Flows 1996	
Business Group	M€	% over total	∆ 07/06 (%)	M€	% over total	M€	% over total
Solar	9.5	2.1	400.2	-	-	-	
Bioenergy	79.8	17.6	59.8	49.9	17.3	-	
Environmental Services	123.8	27.4	113.3	58.0	20.2	4.3	8.0
Information Technology	55.9	12.4	32.1	42.3	14.7	7.5	14.0
Engineering and Industrial Construction	204.0	45.1	27.8	161.6	56.1	42.0	78.0
Corporate Activity and Adjustments	(20.7)	-4.6	-	(23.9)	-8.3		
Total	**452.4**	**100.0**	**57.2**	**287.9**	**100.0**	**53.8**	**100.0**

2.2.4. In 2006, Abengoa continued to increase its activity abroad, in volume as well as diversification. The ever-increasing contribution from the United States and Canada by the companies in the Information Technologies and Bioenergy Business Units is especially noteworthy. Of the M€ 3,214.5 billed in the 2007 financial year, M€ 1,996.9 (62.1%) is from sales abroad. The activity in Spain amounted to M€ 1,217.5 (37.9%) compared to M€ 1,177.4 in 2006 (44.0%).

Of the total sales figure abroad, M€ 1,348.7 (67.5%) correspond to local activity, that is to say, billing by the local companies established in different countries, and exportation by Spanish companies amounted to M€ 648.2 (32.5%). In 2006, the local activity and exportation represented 71.4% and 28.6% respectively.

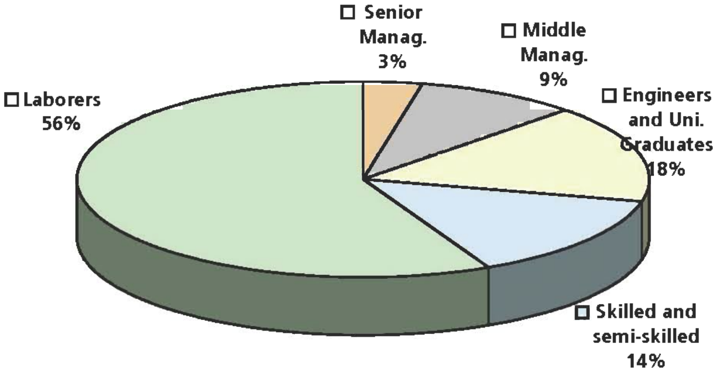
We would especially mention the variation in the contribution from the different geographical areas. Nevertheless, the contribution from the USA and Canada, that in 1996 was non-existent, is currently 14.9%.

International Activity							
	2007		2006		1996		CAGR(*) (96-07)
Exports and Sales by Local Companies	M€	%	M€	%	M€	%	M€
- USA and Canadá	477.3	14.9	284.7	10.6	-	-	-
- Latin America	634.6	19.8	739.5	27.6	152.4		13.8
- Europe (excluding Spain)	604.8	18.7	319.0	11.9	16.4		38.8
- África	174.1	5.4	104.3	4.0	5.2		37.5
- Asia	97.3	3.0	43.5	1.6	24.4		13.4
- Oceania	8.8	0.3	8.8	0.3	-	-	-
Total foreign sales	1,996.9	62.1	1,499.8	56.0	198.4	34.2	23.4
Total Spain	1,217.5	37.9	1,177.4	44.0	380.4	65.8	11.2
Consolidated total	**3,214.5**	**100.0**	**2,677.2**	**100.0**	**578.8**	**100.0**	**16.9**

(*) CAGR: Compound Annual Growth Rate.

2.2.5. With regard to the average number of employees, the comparative figures are as follows:

Average Number of Employees	2007	%	2006	1996
Spain	7,358	42.7	6,977	4,115
Abroad	9,887	57.3	6,631	3,335
Total	**17,245**	**100.0**	**13,608**	**7,450**



3.- <u>Information on the forecast evolution of the Group</u>.

3.1. In order to forecast the Group's prospects, it is necessary to take into account its evolution and development over recent years, from which it may be deduced that, in the medium term, there are prospects for growth. The strategy for the Group in the medium term is based on the growing contribution of the activities related to the Environmental markets, renewable fuels (bioenergy), the beginning of the solar activity, together with continuity in the development of the Information Technology and Engineering and Industrial Construction activities.

3.2. In addition, as stated above, the reinforcement of Abengoa's capacity in the Environmental Services market through Befesa Medio Ambiente, S.A., the increased bioethanol production capacity, the expansion of the Information Technologies business, as well as the recent development of the solar activity, will also help to boost long-term prospects. To the extent to which current forecasts are met, Abengoa has a new base for its operations, which may remain stable and continuous over forthcoming years.

3.3. With the reservations appropriate to present circumstances, bearing in mind the increased flexibility in the organisational structure, the specialisation and the diversification of activities, within the investment possibilities forecast in the national market and the competitive capacity in the international market, together with the exposure of part of its activities to the sale of commodity products and currency different from the Euro, the Group is expected to be in a position to continue to progress favourably in the future.

4.- Financial Risk Management.

<u>Financial risk factors</u>.

The activities Abengoa carries out through its 5 Business Groups are exposed to various financial risks: Market risk (including exchange-rate risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Risk Management Model at Abengoa seeks to minimise the potential adverse effects on the Group's financial profitability.

Risk management at Abengoa is controlled by the Group's Corporate Financial Department in accordance with the internal mandatory management norms in force. This department identifies and evaluates the financial risks in close collaboration with the Group's operative units. The internal management norms provide written policies for global risk management, as well as for specific areas such as the exchange rate risk, credit risk, interest rate risk, liquidity risk, use of coverage instruments and derivatives and investment of excess liquidity.

a) Market risk.

The company is exposed to market risk due to variations in exchange rates, interest rates and raw material (commodity) prices. All these market risks arise in the normal course of business, as we do not carry out speculative operations. In order to manage the risk that arises from these operations, we use a series of future sale and purchase contracts, swaps and options on exchange rates, interest rates and raw materials.

The exchange-rate risk arises when future commercial transactions, recognised liabilities and assets, are denominated in a currency that is not the company's functional currency. To control the interest-rate risk, we use future currency sale and purchase contracts. These contracts are designated as hedges on the reasonable value or effective flows, as appropriate.

Approximately 95% of the transactions anticipated in each of the currencies other than the functional currency are classified as highly probable scheduled transactions for the purposes of hedge accounting.

The interest-rate risk arises from financial liabilities at a variable interest rate. To control the interest-rate risk, we essentially use interest-rate options (caps) exchange swap, which, in exchange for a premium, offer protection from rising interest rates.

The risk of variation in commodity prices arises from both sales of the company's products and stocks of raw materials for the production processes. As a general rule, the company uses future sale and purchase contracts and options listed on organised markets, as well as over-the-counter contracts with financial entities, to mitigate the risk generated by the variation in market prices.

The Corporate Financial Department takes part in the design, execution, control and monitoring of these hedging operations

b) Credit risk.

The balances of client items and other accounts receivable, current financial investments and cash are Abengoa's main financial assets, representing the maximum exposure to credit risk if the third-party does not fulfil the obligations to which they have committed.

With regard to the most of the accounts receivable correspond to customers located in diverses industries and countries. In most cases, the contracts require payments as the project is developed, begun or delivered.

It is usual practice for the company to reserve the right to cancel the work should there be material breach, in particular, non-payment.

In addition to the above, the company has the firm commitment of a first level bank for the purchase, without resources, of the accounts receivable (Factoring). In these agreements, the company pays the bank for assuming the credit risk, together with an interest for the finance. In all cases, the company assumes the validity of the accounts receivable.

In this sense, at Abengoa the write off of factored debit balances is carried out whenever all the conditions indicated in IAS 39 for removal from the assets accounts of the balance sheet are met. In other words, analysis is carried out of whether the transfer of risks and profit inherent in related share-ownership has taken place, comparing company exposure, prior to and following the transfer, to fluctuation and the net cash-flow calendar for the transferred assets. Once exposure of the awarding company to the aforementioned fluctuation has been removed or substantially reduced, then the financial assets in question have been transferred.

Generally, at Abengoa the most salient risk in these assets within its risk activity is defined as that of bad debts, since, a) they may become significant in quantitative terms in carrying out a project or providing services; b) it would not be within the company's control. Likewise, the risk of default is deemed of low importance in these contracts, and generally associated with problems of a technical nature, in other words, associated with the actual technical risk of the service provided, and therefore, under the control of the company. In any case, and in order to cover contracts whereby, in theory, it may be possible to identify, as a risk associated with financial assets, possible defaulting on payment by a client without adducing commercial causes, Abengoa establishes that not only should the risk of legal insolvency be covered (bankruptcy, etc.) but also de facto or notorious insolvency (caused by management of the company treasury, without cases "of general default" arising). As a result, and if concluded from the personalised evaluation carried out of each contract, that the relevant risk associated with these contracts has been awarded to the financial entity, the aforementioned accounts receivable are removed from the balance sheet at the time of the award to the financial entity, on the basis of IAS 39.20.

As indicated, Abengoa's policy is to transfer the credit risk associated with items included in the client balance and other accounts receivable via the use of non-recourse factoring contracts. As a result, it would be necessary to exclude the potential effect on client balances and other accounts receivable of client balances by project carried out awaiting certification, whereby there are factoring contracts, the effect on those other client balances which may be factored but have still not been sent to the factoring entity at the close of the financial year, and those assets which are covered by credit insurance and which are reflected within the aforementioned balance. As a result, Abengoa minimises its exposure to credit risk on the aforementioned assets by means of this policy.

Financial expenses during the year 2007 resulting from the said factoring transactions totalled € 22,830 thousands (€ 16,337 thousands in 2006)

c) Liquidity risk.

The aim of Abengoa's liquidity and financing policy is to ensure that the company maintains sufficient availability of funds to meet its financial commitments. Abengoa uses two main sources of financing:

- Non-Recourse Financing Applied to Projects, which, in general, is used to finance any significant investment (See Notes 2.5 and 24).

- Corporate Financing, to finance the activity of all other companies not financed using the previous method. This financing is managed centrally through Abengoa, S.A. (See notes 2.18 and 23).

In the case of Non-Recourse Financing Applied to Projects, each project's debt repayment profile is established in accordance with each business's fund generation capacity, with a margin which varies depending on the predictability of the flows of each business or project. This ensures there will be adequate financing, taking into account the term and maturity, to significantly mitigate the liquidity risk.

As for Corporate Financing, Abengoa aims to have adequate debt repayment capacity in relation to its cash generation capacity. For these purposes, the following criteria and actions are taken into account:

1) Maintenance of an adequate level of leveraging through the fulfilment of the Net Debt/Ebitda financial ratio. The maximum limit of this ratio established in financing contracts applicable for the years 2007 and 2006 is 3.5. The Net Debt is calculated as the total external resources minus cash and cash equivalents, excluding the debt of operations financed without recourse. The denominator is arrived at by aggregating the Ebitda of the companies that do not have Non-Recourse Financing Applied to Projects.

   The value of this ratio at close of financial years 2007 and 2006 was around 1.2 and 0.51, respectively.

   In addition, the aim of Abengoa is to maintain this ratio at levels of below 3.0 in the medium term, in order to achieve an additional margin and increase the protection from liquidity risk.

2) Annual preparation and approval by the Board of Directors of a Financial Plan encompassing all the financing needs and the way in which these will be covered. The aforementioned Plan is prepared in close collaboration with the Corporate Financial Department and the Business Groups.

3) Ability to meet financial obligations in the coming months. In this regard, in 2007 Abengoa completed three Corporate Financing Operations for a total sum of € 859,000 thousands (See Note 23): the signing of two bilateral loans of € 150,000 thousands and € 109,000 thousands with the Official Credit Institute and the European Investment Bank, respectively, as well as a credit line of € 600,000 thousands, successfully syndicated in the second half of the year among a total of 22 financial entities.

d) Cash flow interest rate risk.

The Group's interest rate risk is the result of long-term external resources. The external resources issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages the cash flow interest rate risk through the purchase of options in exchange for a premium through which the company assures the payment of a maximum fixed interest rate. In addition and under certain conditions, the company uses swap of variable to fixed interest rate (See Note 12.2).

5.- Information on Research and Development Activities.

5.1. Abengoa continued to increase its R&D&i effort in the year 2006 (in spite of the persistence of the world technology crisis), convinced that, to bear fruit, this effort requires a continuity that should not be interrupted by either crises or economic cycles.

Furthermore, it strengthened its presence and, in some cases, its leadership in different public and private institutions and forums, in which cooperation between the large technological companies is fomented and the short- and long-term future of R&D&i activity is decided.

5.2. The program established for this type of activities have been substantially met. Abengoa, through the people responsible for this strategy in each business area, making a day-to-day effort regarding the increased degree of innovation in its technologies, as required by the characteristics of the activities carried out, essentially concentrating on the following objectives:

- Constant monitoring of the technologies which may affect each business area.
- Selection of the technologies portfolio which provides the Group companies with the maximum competitive advantage.
- Assimilation and implementation of the technology available from Transfer Agreements.
- Selection of the optimal channels to accede to technological development.
- Determination of the commercialization programmes for the technology developed.
- Use of institutional support for innovation and technology.

5.3. From among all this joint effort, attention should be drawn to the fact that, in 2006 , the Research and Development activity was carried out in each Group Company in accordance with the needs arising from its respective market. Most of the projects fell within the scope of the R&D promoted by the Spanish authorities (actions taken by the Ministry of Industry and Energy), by the European authorities (Framework R&D Programs) and by the American authorities (Department of Energy).

Abengoa performs its R&D either directly or through contracts with third parties, usually public bodies for innovation, university departments or other public and private entities. In addition, during the year, Abengoa made strategic investments in countries like the USA and Canada in pioneer companies that develop and own technologies in sectors defined as high priority, such as Biofuels and control systems, in order to facilitate the internalization and implementation of these technologies in these important emerging markets.

Research and Development is a strategic activity for Abengoa in order to plan its future. It is carried out in the Business Groups in accordance with the requirements of their respective markets in order to make the necessary competitive capacity permanently available.

5.4. In the year 2007, investment in R&D totalled M€ 54.6 in comparison with M€ 68.5 in 2006. For the year 2008, the company plans to make an even greater R&D&i investment effort, up to a sum of more than M€ 101. Special attention should be paid to the planned investments in projects related to the conversion of biomass and ethanol and solar energy-related projects.

6. Environmental information.

The Sprincipals on which Abengoa's environmental policy is based are in compliance with the prevailing legislation at any given time, prevention or minimisation of harmful or negative environmental impact, reduction of the use of energy and natural resources, and continuous improvement in environmental behaviour.

To fulfil this commitment for sustainable use of energy and natural resources, Abengoa specifically establishes within the Common Management Regulations (NOC) applicable to all the companies within the group, the obligation to implement and certify environmental management systems under the international ISO 14001 standard.

As a result of the aforementioned, at the end of 2007 the percentage of companies with Environmental Management Systems certified under the ISO 14001 standard, in terms of sales volume, was 81.3%.

The percentage distribution, by Business Group, of the companies with certified Environmental Management Systems is detailed below:

Business Group	% Companies Certified as Compliant with the ISO 14001 (% of sales)
Solar	60.87%
Information Technologies	78.97%
Industrial Construction and Engineering	83.00%
Environmental Services	77.94%
Bioenergy	86.24%

Abengoa considers its traditional activity of engineering as a valuable tool through which it can construct a more sustainable world, a philosophy that is implemented in all its Business Groups. Thus, Abengoa applies technological and innovative solutions for sustainable development based on solar energy, biomass, waste, information technologies and engineering.

The details, in terms of Business Group, are as follows:

The Solar Business Group, the parent company of Abengoa Solar develops and applies solar energy technology to fight climate change and ensure sustainable development through proprietary technology, both thermal solar and photovoltaic energy. This Business Group, contributed to Abengoa's Consolidated Financial Statements for the 2007 financial year, with assets amounting to € 503,358 thousands, sales of € 17,729 thousands and attributed loss of € (€ 3,451 thousands), related to environmental activities.

The Bioenergy Business Group, the parent company of Abengoa Bioenergía deals with the production and development of biofuels for transport, bioethanol and biodiesel, among others, which use biomass (cereals, cellulose biomass, and oilseeds) as raw material. Biofuels are used in the production of ETBE (petrol additive) or directly mixed with petrol or diesel. As renewable energy sources, biofuels reduce CO2 emissions and contribute towards the securing and diversifying energy supplies, reducing dependence on fossil fuels used in automobiles and collaborating towards fulfilment of the Kyoto Protocol. This Business Group, contributed to Abengoa's Consolidated Financial Statements for the financial years 2007 and 2006 with assets amounting to € 2,174,224 and € 934,378 thousands, sales of € 613,732 and € 476,192 thousands and attributed profit of € 21,147 and € 16,148 thousands, related to environmental activities.

The Environmental Engineering Business Group, the parent company of Befesa Medio Ambiente centres its activities on providing environmental services, such as waste recycling, industrial cleaning, metal recovery and water generation and management engineering. This Business Group contributed to Abengoa's Consolidated Financial Statements for the financial years 2007 and 2006 with assets amounting to € 1,184,840 and € 1,106,026 thousands, sales of € 769,670 and € 555,285 thousands and attributed profit of € 46,393 and € 23,555 thousands, related to environmental activities.

The Engineering and Industrial Construction Business Group includes Zeroemissions, a company with the mission of providing global solutions for climate change through the promotion, development and commercialisation of carbon credits, voluntary compensations for emission and innovation in greenhouse gas reduction technology, all within Abengoa's dedication to sustainable development. This group also includes Hynergreen Technologies S.A., which organises and develops the activities and projects related to electricity production using fuel batteries based on different technologies, as well as the production of hydrogen from renewable resources, and its clean and efficient use. Zeroemissions and Hynergreen belong to the Abeinsa, the parent company in this Business Group, contributed to Abengoa's Consolidated Financial Statements for the financial years 2007 and 2006 with assets amounting to € 8,009 and € 4,152 thousands, sales of € 1,290 and € 1,239 thousands and attributed loss of (€ 321 thousands) and € 0 thousands, related to environmental activities.

The Information Technologies Business Group includes three areas closely linked to the environment: Energy, in which Telvent centres on real-time technological solutions for better energy efficiency management; Transport, where Telvent provides solutions, services and systems for urban traffic control and information, motorway management and information systems and automatic collection systems for toll motorways, through which it achieves more efficient traffic control and, therefore, a reduction in pollutant gas emissions; and Environment, in which Telvent provides hydrological and meteorological applications, as well as solutions and services that cover the entire water management cycle and enable environmental protection at global level. This Business Group, contributed to Abengoa's Consolidated Financial Statements for the financial years 2007 and 2006 with assets amounting to € 767,849 and € 557,516 thousands, sales of € 597,188 and €476,334 thousands and attributed profit of € 14,582 and € 10,296 thousands, related to environmental activities.

To illustrate the wide range of environmental initiatives undertaken, and without wishing to extend the list too far, we can mention:

All the Business Groups apply policies to reduce paper, toner, water and electricity consumption in offices and to collect waste for treatment and recycling.

The Engineering and Industrial Construction group carries out environmental programmes for works, reforestation in areas surrounding that in which the projects are carried out, and co-ordination of subcontracted carriers in order to adjust the type of transport to the size and quantity of the materials to be transported.

Environmental Services carry out initiatives to reduce waste generation, such as selling certain products loose in tanks in order to save packaging waste, reusing and recovering packaging, etc. To reduce water consumption, among other actions, both gross and process water supply networks have been set up. Additionally, there are the different R+D projects, such as the development of advanced waste water treatment systems or projects centred on water desalination: minimisation of the possible environmental impact of the brine through a study of the brine dilution phenomenon, development of desalination using renewable energies, etc. All of these projects are at the development stage and, therefore, results are not yet available.

The Bioenergy Business Group carries out actions such as reuse of water from waste water, taken from rainwater collection, among others.

At the close of financial year 2007, Abengoa considers that it had not incurred any environmental risks that require making any additional provisions.

7. <u>Information on the Acquisition of Own Shares</u>.

7.1. Abengoa, S.A., together with its subsidiaries and associated companies, met the legal requirements on trading in own shares and does not currently hold any own shares on its portfolio and did not do so in 2006.

The Ordinary General Shareholders Meeting of Abengoa, S.A. on 9 April 2006 authorised the Board of Directors to approve the issue of other securities that recognise or create a debt or contribution of capital within the legal limits applicable in each case.

7.2. The parent Company did not accept any of its own shares as pledges or in any kind of mercantile deal or legal transaction.

7.3. Neither are there any shares of Abengoa, S.A., which are held by third parties that are able to act in their own name, but on behalf of companies belonging to the Group.

7.4. Certain companies in the group have entered into a series of share-based obligations vis-à-vis incentive programmes with employees and managers (Abengoa Bioenergía, S.A. and Telvent GIT, S.A.). These programmes are linked to the achievement of management goals in the coming years. When there is no active market for the shares associated with a programme, the proportional part of the personnel expense is reflected by reference to the buyback value stipulated in the said programmes. In the case of programmes where there is a market value for the shares, the expense is acknowledged for the aliquot part of the financial asset's reasonable value on the date of execution. In any case, the effect of these plans on Abengoa's annual accounts is not significant.

In addition, during the financial year, Abengoa, S.A. has a Share Purchase Plan for Executives of the group, approved by the Board of Directors and the Extraordinary General Meeting of Shareholders of 16 October 2005, with the following basic terms:

- For: Up to 122 Directors of Abengoa (business group directors, business unit directors, technical managers and R&D&i managers and corporate services managers) belonging to all its subsidiaries and business areas, present or future, who voluntarily wish to take part in the plan. The plan will not include any member of the Board of Directors of Abengoa. The Plan has not been extended to any member of the Board of Directors of Abengoa. As with previous ones, it is a plan related to the fulfilment of management objectives.

- Share volume: Up to 3,200,000 shares of Abengoa, representing 3.53% of the Company's share capital.

- Those benefiting from the Plan have been granted a bank loan for the purchase, at market value, of Abengoa shares already issued and in circulation, in accordance with the Stock Market Act, with the guarantee of Abengoa and excluding personal liability, for the sum of € 87 millions (including expenses, commissions and interests). The redemption date of this loan is 7 August 2011. The Plan establishes certain requirements on each executive to meet individual annual objectives, as well as continuance in the group.

  Based on the specific conditions of the Plan, the operation is considered a transaction with payment in shares, settled in cash based on IFRS 2, by means of which the company acquires the services provided by the executives, incurring a liability for an amount based on the value of the shares.

  The fair value of the executive services received in exchange for the granting of the option is recognised as a personnel expense. The total amount charged to expenses during the accrual period is determined by reference to the fair value of a hypothetical option to sell ("put") granted by the company to the executive, excluding the effect of the accrual conditions that are not market conditions, and included in the hypotheses on the number of options that it is expected will become exercisable. In this regard, the number of options it is expected will become exercisable is considered in the calculation. At close of each financial year, the company revises the estimation of the number of options it is expected will become exercisable and recognises the impact of this revision of the original estimates, where appropriate, in the results account.

  The fair value of the options granted during the financial year, determined in accordance with the Black-Scholes valuation model, was € 13,455 thousands. The main data entered into the model were the price of the share, an estimated return per dividend, an expected lifetime of the option of 5 years, an annual interest rate and a volatility of the market of the share.

On the other hand, on the 24 of July 2006 and the 11 of December 2006, the Board of Directors approved an Extraordinary Variable Remuneration Plan for Executives (Plan Two), at the suggestion of the Remunerations and Appointments Committee. The 190 beneficiaries of this Plan will receive a total of € 51,630 thousands over five financial years, 2007 to 2011, on the condition that the personal objectives established in the Strategic Plan are met and that they remain in the company for this period, among others.

In addition to the above, and given that the company B.U.S. Group AB was acquired after the implementation of that plan but very close in time, on the 22 October of 2007, the Board of Directors approved the incorporation into the Plan of the managerial team of that company, composed of 10 people, in the same conditions as those established for all other beneficiaries and for a total amount of € 2,520 thousands.

The variable compensation plan accounting treatment is annually expensed for the rested amounts, based on the consolidated percentage objectives.

7.5. Finally, it is stated that any reciprocal holdings that have been established with companies in which shares are held are transitional and are within the limits of the Spanish Limited Liability Companies Act.

8.- Information on Significant Events after the Year End.

After the close of the financial year, there have been no perceptible incidents liable to have any significant impact on the information reflected in the Annual Accounts formulated by the administrators on that date, or which should be highlighted due to their being of crucial significance for the Group.

9.- Corporate Governance

9.1. Share Capital.

The share capital at 31 December 2007 is € 22,617,420, made up of 90,469,680 ordinarily shares in a single series and class, or with identical economic and voting rights, with a unit par value of € 0.25, fully subscribed and paid in. All the shares are represented by accounting entries and are admitted to official trading on the stock markets of Madrid, Barcelona and the stock exchange linkup (official stock market) as from 29 November 1996.

In accordance with the notifications received by the company in compliance with the provisions laid down in current regulations governing the obligation to notify shareholdings and in accordance with information provided additionally by associated companies, the significant shareholders at 31 December 2007 are as follows:

Shareholders	% Holding
Inversión Corporativa IC, S.A. (*)	50.00
Finarpisa, S.A. (*)	6.04

(*) Corporate Investment Group.

The Ordinary General Shareholders Meeting of Abengoa, S.A. on 15 April 2007 authorised the Board of Directors as follows:

1.- To increase the share capital once or more to the figure of € 11,308,710, equivalent to fifty per cent of the share capital at the moment of the authorisation, within a maximum term of five years.

2.- To extend the agreement of issue of bonds which may be converted or not, into shares to € 261,585 thousands in a maximum term of five years counted from 26 April 2009

3.- To approve the issue of other securities that recognise or create a debt or contribution of capital within the legal limits applicable in each case.

4.- To acquire own shares within the legal limits for a price of between € 0.03 and € 120.20 per share within the maximum term of 18 months.

Abengoa’s Extraordinary General Meeting of Shareholders of 16 October 2005 authorised the Board of Directors to approve a Plan for the Acquisition of Shares by Executives of the Company (henceforth called the "Plan") aimed at Abengoa Managers (directors of business groups, directors of business units, technical and R&D&i managers and corporate service managers) belonging to all its subsidiaries and business divisions, present or future, who voluntarily wish to participate in it, not extensive to any member of the Board of Directors of Abengoa. Those to whom the Plan applies will be able to access a bank loan for the purchase of Abengoa shares at market value, in accordance with article 81.2 of the Limited Companies Act and up to a maximum of € 87 millions. The term of repayment of the loan will be approximately 5 years. The volume of shares is up to 3,200,000, representing 3.53% of the company's share capital. The Plan was implemented in February 2006.

Since 19 July 2003, the date on which the Stock Market Act 26/2003 came into force, modifying Act 24/1988, of 20 July, and the revised text of the Limited Companies Act, with a view to reinforcing the transparency of limited companies, the members of the Board of Directors have not maintained, except for those indicated below, shares in the capital of companies that carry out activities of the same, similar or complementary kind as that laid down in the corporate purpose of the parent Company. Furthermore, they have not carried out nor do they carry out activities on their own account or on behalf of any other party that are of a similar or complementary nature to the activities laid down in the corporate purpose of Abengoa, S.A. On the other hand, there are no companies susceptible to the application of the horizontal consolidation laid down in article 42 of the Code of Commerce in either 2007 or 2006.

The following shows the members of the board that are also members of other listed companies:

Spanish Tax No.	Name	Listed company	Position
35203147	José B. Terceiro Lomba	Telvent GIT	Member of the board
35203147	José B. Terceiro Lomba	U.Fenosa	Member of the board
35203147	José B. Terceiro Lomba	Iberia	Member of the board, member of the executive commission
35203147	José B. Terceiro Lomba	Grupo Prisa	Member of the board, chairman of the audit committee
28526035	Felipe Benjumea Llorente	Iberia	Member of the board

In accordance with the record of significant shareholdings the company maintains in accordance with the provisions laid down in the internal code of stock market conduct, the percentages of shares of the administrators in the company's capital at 31.12.07 are as follows:

	Direct %	Indirect %	Total %
Felipe Benjumea Llorente	-	0,839	0,839
Javier Benjumea Llorente	0,002	-	0,002
José Joaquín Abaurre Llorente	0,002	-	0,002
José Luis Aya Abaurre	0,061	-	0,061
Aplicaciones Digitales, S.L.	1,039	-	1,039
Daniel Villalba Vilá	0,006	-	0,006
Carlos Sebastián Gascón	0,013	-	0,013
Mercedes Gracia Díez	0,0005	-	0,0005
Mª Teresa Benjumea Llorente	0,013	-	0,013
Ignacio Solís Guardiola	0,016	-	0,016
Fernando Solís Martínez-Campos	0,056	0,036	0,092
Carlos Sundheim Losada	0,051	-	0,051
Miguel Martín Fernández	0,001	-	0,001
Miguel A. Jiménez-Velasco Mazarío	0,029	-	0,029
Total	**1.2895**	**0.875**	**2.1645**

9.2. Rules governing organization and operation.

The Board of Directors is governed by the Board Regulations, the Company Bylaws and the Securities Exchange Code of Conduct. The Board Regulations were initially approved at the meeting of the Board of Directors held on January 18, 1998, with the clear aim of anticipating the current Good Governance regulations and ensuring effective internal regulation. They were last modified on June 29, 2003, in order to incorporate provisions relating to the Audit Committee established in the Financial System Reform Act.

- Structure:

  The Board of Directors currently has fifteen members (although there is a current vacancy following the resignation of Mr. Ignacio de Polanco Moreno on October 22, 2007 due to an increase in his other professional commitments). The Rules governing the Board of Directors regulate the duties and internal organization of the administration body. Additionally, there exists the Internal Conduct Regulation in relation to the Securities Market, with which the members of the Board of Directors, senior management and all employees affected due to their duties or title have to comply. The Rules of the General Shareholders' Meetings govern the formal aspects and the internal regime of the holding of the Shareholders Meetings. Finally, the Board of Directors is assisted by the Audit and Appointments and Remuneration Committees, both with their own Internal Regime Rules. All these Rules, put together into the revised body of Corporate Governance Internal Rules, are available on the Company's website, www.abengoa.com.

  Since it was constituted, the Appointments and Remuneration Committee has undertaken ongoing analysis of the structure of the company's administrative bodies and their alignment with the recommendations on corporate governance, with special emphasis on the historic and special configuration of them in Abengoa. On February 27, 2007, in accordance with said analysis, the committee recommended the creation of the post of Coordinating Director, as well as the dissolution of the Advisory Committee to the Board of Directors. The establishment of said position was recommended in order to align optimally with the tasks included in the most recent recommendations on corporate governance produced in Spain in 2006; dissolution of the committee was advised since it was felt that it had fulfilled the role for which it had originally been created, and that, were it to operate alongside the remaining company bodies, it could engender situations involving a potential conflict of competences. Both proposals were approved by the Board of Directors meeting of February, 2007 and by the General Shareholders' Meeting of April 15, 2007.

  Finally, in October, 2007, the Committee proposed to the Board that it accept Mr. Javier Benjumea Llorente's resignation of his office as Vice-Chairman, along with the consequent revocation of delegated powers and the appointment of a new physical person and/or the Focus-Abengoa Foundation as Abengoa's representative vis à vis the entities or companies in which it holds an appointed position. On the basis of the foregoing, the Committee considered that it would be opportune to repeat the study relating to the number and condition of Vice-Chairpersons of the Board of Directors, within the present structure of administration bodies.

  Consequently, the Committee reached the opinion that there should be a single Vice-chairman, with the powers conferred to him/her under the Companies Act in terms of, on the one hand, comprehensive company representation, and on the other, as a counter-balance to the Chairman's functions on the Board.

Based on the foregoing, the Committee felt that the Coordinating Director, in accordance with the functions assigned to the position by the Board of Directors (February 2007 and General Shareholders' Meeting of April 2007) would be the ideal position for exercising said functions, in terms of attending to the recommendations on corporate governance and the company's own structure, and the composition and diversity of its administrators. The position has already been assigned the duties of coordination of concerns and factors motivating the remaining directors, and, in fulfilling this role, the position holder has the power to call Board meetings and to add items to the agenda. As this role features, more in fact than in law, a certain level of representativeness within the Board, because of the position holder's role as the symbol of directors' interests, it was seen to be appropriate to extend and validate said representative function by making it institutional and comprehensive.

In view of the aforementioned reasons, the Committee felt that it was appropriate to propose Aplicaciones Digitales, S.L. (Aplidig, represented by Mr. José B. Terceiro Lomba), the current Coordinating Director, for the position of Vice-Chairman of the Board of Directors. As part of the comprehensive representative duties it was also proposed to include as part of the Vice-Chairman's role, working in conjunction with the Chairman, that of being Abengoa's physical representative as chairman of the Board of Trustees of the Focus-Abengoa Foundation, and of so acting in relation to all other foundations and institutions where the company is presently represented, or where it may require to be represented in future.

In light of the above, on December 10, 2007, the Board of Directors approved the appointment of Aplicaciones Digitales, S.L. (represented by Mr. José B. Terceiro Lomba), the current Coordinating Director, as Executive Vice-Chairman of the Board. In addition, forming part of his comprehensive representative duties (per the powers delegated to him to this effect by the Board of Directors on July 23, 2007), and working in conjunction with the Chairman, the Board also issued its approval for the position to include the role of being Abengoa's physical representative as chairman of the Board of Trustees of the Focus-Abengoa Foundation, and of so acting in relation to all other foundations and institutions where the company is presently represented, or where it may be required to be represented in the future.

- Duties:

It is the duty of the Board of Directors to take any action that may be necessary in order to pursue the Company's corporate objective, and it is empowered to establish the Company's financial targets, agree on any relevant measures proposed by Senior Management in order to achieve these targets, and ensure the future viability and competitiveness of the company, along with the presence of a suitable management and leadership team, supervising the development of the Company's business.

- Appointments:

The General Meeting or, where applicable, the Board of Directors, within the powers and limits set out in law, is the competent body for appointing members of the Board of Directors. In addition to meeting the requirements set out in law, appointees shall demonstrate that they are known to be trustworthy and have the knowledge, reputation and professional references that are relevant to the performance of their duties.

Directors shall be appointed for a maximum of four years, without prejudice to the possible renewal of their appointment or their re-election.

- Removal:

Directors shall be removed from their position at the end of their tenure and under any other circumstance set out in law. They must furthermore relinquish their seat in cases involving their incompatibility, veto, serious sanction or any breach of their obligations as directors.

- Meetings:

Pursuant to Article 42 of the Company Bylaws, the Board of Directors shall meet whenever it is required in the interest of the Company and, at least, three times a year, the first meeting to be held during the first quarter. During 2007 it met on a total of eight occasions.

- Duties of Directors:

It is the duty of Directors to participate in the direction and monitoring of the company's management in order to maximize the value of the Company to the benefit of its shareholders. Each Director shall act with the proper care of a dedicated professional and loyal representative, guided by the interests of the Company, with complete independence, defending and protecting the interests of all shareholders to the best of their abilities.

By virtue of their appointment, Directors are under the following obligations:

a) To gather and prepare information properly for each meeting session.

b) To attend and participate actively in meetings and the decision-making process.

c) To avoid the occurrence of any conflict of interest and notify the Board of any potential conflict of interest, where applicable, through the Secretary.

d) Not to undertake duties with competitor companies.

e) Not to use company information for private purposes.

f) Not to use the company's business opportunities for their own interests.

g) To maintain the confidentiality of any information received as a result of their appointment.

h) To abstain in any voting on resolutions that may affect them.

- The Chairman:

In addition to the duties set out in law and in the Company Bylaws, the Chairman is the company's most senior executive, and as such is responsible for the effective management of the company, though always in accordance with the decisions and criteria established by the General Shareholders' Meeting and the Board of Directors. He/She is responsible for implementing the decisions made by the company's administrative body, by virtue of the powers permanently delegated to him/her by the Board of Directors, which he/she represents in all its aspects. The Chairman also has the casting vote on the Board of Directors.

The Chairman also occupies the position of chief executive officer. The measures adopted to prevent the accumulation of powers are:

- In accordance with that established in Article 44 bis of the Company Bylaws, on December 2, 2002 and February 24, 2003, the Board of Directors proceeded to constitute the Audit Committee and the Appointments and Remuneration Committee, respectively.

- The powers of these Committees inherent to the commitments they have assigned by Law and the Company Bylaws and their respective internal Rules and Regulations cannot be delegated, and the committees are constituted as control and monitoring bodies for matters of their competence.

- Both shall be chaired by an independent, non-executive, director, and shall be composed of a majority of independent, non-executive directors.

- The Secretary:

It is the Secretary's duty to exercise the powers attributed to him/her by law. At present, the titles of Secretary to the Board and Legal Counsel fall on the same person, who is responsible for ensuring that notice is given of meetings and that resolutions are adopted by the company's administrative body in a valid manner. In particular, he/she will advise members of the Board regarding the legality of their deliberations and any resolutions they adopt, and on compliance with the Internal Corporate Governance Regulations, as both formal and material guarantor of the principle of legality which governs the actions of the Board of Directors.

The Secretary to the Board, as a specialized guarantor of the formal and material legality of the Board's actions, has the full support of the Board in performing his/her duties entirely independently of any criteria or the constancy of his/her position, and he/she is also entrusted with defending the internal Corporate Governance regulations.

- <u>Resolutions</u>:

Resolutions are adopted by a simple majority of the board members present (either in person or by proxy) at each session, with the exception of those cases specifically set out i