Consolidated Management Report for the Year 2005

(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 2005, held a group formed by the following companies: the parent company itself, 200 subsidiaries, 30 associated companies and 2 Joint Ventures. Likewise, the differente companies in the Group take part in 252 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 Statments and in the present Management Report, Abengoa is publishing an "Annual Report" describing the most important achievements in the year 2005. 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 2005 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, 2005.

In addition to the printed edition, 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 since the end of the first quarter 2002, 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 Extraordinary Meeting held on 16th October 2005, Abengoa, S.A. had 6,661 shareholders.

As on December 31, 2005, 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) 57,988,077 shares were traded in 2005. The average volume of daily trading over the year was 226,526 securities. Minimum, maximum and average listed share prices in 2005 were 7.23 €, 15.20 € and 10.85 € respectively. The last closing price quoted for Abengoa shares in 2005 was 12.41 €, 70.7% higher than on December 31, 2004, and 483% higher than the share price established for the Public Offering on November 29, 1996.

1.4. Over the past decade, the growth in the company's results has shown considerable strength. Thus, results have grown at an annual average rate of increase (AARI) of 30%, due to the new activities of Bio-energy, Solar Energy and Environmental and Information Technology Services, as well as to the internationalisation of traditional activities. Over the same period, foreign sales grew at an AARI of 20.4%.

The keys to this notable increase in results can be attributed, among others, to a series of judicious strategic decisions, in line with the Strategic Plan, of which we would particularly highlight:

<u>Year 2000</u>

- A 300 M € investment to acquire Befesa, through a takeover bid.
- Start-up of the first Bioethanol plant in Spain with an initial production capacity of 100 M litres/year (currently 150 M litres/year), which required a 93.8 M € investment.

<u>Year 2001</u>

- Sale of the wind power activity for € 109 million.

<u>Year 2002</u>

- Acquisition of High Plains Corporation (now Abengoa Bioenergy Corporation), the fifth largest bioethanol producer in the United States (current production capacity of 108 M gal/year), by means of a 100 M € takeover bid.
- Start-up of the second Bioethanol plant in Spain (Bioetanol Galicia) with a 126 M litres/year production capacity, which required a 92.1 M € investment actually 176 M litres/year.
- The Department of Energy (D.O.E.) of the United States awarded an R&D&i project to enhance ethanol production process technology, using biomass, to improve the economy of process and increase energy performance from ethanol production and, thus, reduce the production cost of ethanol and make it more competitive with gasoline. Total investment, co-funded by the D.O.E., is 35.4 M $US, from 2003 though to 2006.

<u>Year 2003</u>

- Acquisition of Metso Corporation's Network Management Solutions Division now called Telvent Canada and Telvent USA, which put Telvent in a leading position at international level in the Real-Time Control and Information Systems market for the oil, gas, and electricity sectors, and for the water sector.

- Commencement of the construction of the third Bioethanol facility in Spain, in Babilafuente, which produce 200 M liters/year of Bioethanol for direct blending in gasoline. The raw material will be grain, wine alcohol and biomass, the latter in a Bioethanol production facility that will be the first of its kind worldwide.

Year 2004

- Commencement of the effective listing of Telvent GIT on the American Nasdaq technological market, which facilitates the continuity of the expansion strategy for the Information Technology activity, while also increasing its potential through the development of R&D&I activities.

- Commencement of the construction of the largest thermoelectric solar energy power plant to use tower and heliostat field technology for an 11 MW output, and the construction of a 1.2 MW two-fold concentration photovoltaic power plant.

- Acquisition of the North American company Miner & Miner Consulting Engineers Incorporated (M&M), one of the world leaders in the development and implementation of Geographic Information Systems (GIS) software.

Year 2005

- Abengoa Bioenergía, through AB Bioenergy France, received authorization from the French Government to produce 40,000 tons per year of bioethanol at a plant to be constructed in the southwest of France. This project will be Europe’s first corn-based bioethanol production facility. The end capacity of the project will depend on the Government’s resolution in relation to the second round of authorizations, the public tendering for which is scheduled for sometime in the first half-year of 2006.

- Commencement of the construction of the fourth bioethanol facility in Nebraska (US) which will produce 330 million liters per year. To finance the project, a 90 million dollar credit has been obtained in the US financial market, in which seventeen institutional investors are participating. The facility will be that with the highest capacity in Nebraska and one of the largest in the US.

- Acquisition of the Perth based Australian company Almos Systems, a leading provider of meteorological solutions. With the integration of Almos Systems (now Telvent Australia), access is gained to a full range of leading-edge meteorological systems and high value-add solutions. In addition, the Australian location will be strategic for the development of new business opportunities in the Asia-Pacific region, on of the world’s fastest growing areas.

- Agreement with Cepsa for the construction of a biodiesel production plant on the lands of Cepsa’s “Gibraltar” Refinery, in San Roque (Cadiz). The foreseen investment for the plant is 42 million euro.

- Strategic agreement with GE Energy Financial Services for the sale of an 80% interest in a packet of three transmission lines in Chile, with Abengoa retaining the remaining 20% interest.

1.5. Current configuration and nature of its business.

There are two types of products in Abengoa:

- **Integrated Product**: in which the environment of responsibility is global, including from the active promotion of the business, with or without investment in the capital, to the providing of financing formulae, the defining and design of the technologies to be applied, the turnkey construction and subsequently the Business Operation, Maintenance and Management Service. With these products there is a clear recurrence that endows more stability on Abengoa's financial statements (business induced).

- **Conventional Product**: in which a specific item or service is sold and the investment in which goes against the customer's balance sheet and, in addition, in which we are not responsible for the management thereof.

Abengoa is a technological company that applies innovative solutions for sustainable development in the infrastructures, environment and energy sectors.

It is present in more than 70 countries, where it operates with its five Business Units: Solar, Bioenergy, Environmental Services, Information Technology, and Industrial Engineering and Construction.

It provides solutions for:

- **Sustainable development:**

  - ✓ Abengoa produces 687 million liters of ecologic gasoline per year which prevents the emission of 1,459,078 tons of CO_2 to the atmosphere, which is equivalent to the annual emissions from a fleet of 600,000 vehicles.

  - ✓ Abengoa produces 2,068,497 MW/h per year of electricity from cogeneration, which means the prevention of the emission of 910,097 tons of CO_2 were this energy to be produced by conventional carbon thermoelectric power plants.

  - ✓ Abengoa has a production plan for 302 MW of electric energy using the sun, equivalent to the annual consumption by a population of 500,000, which will prevent the emission of 742,900 tons of CO_2 per year.

  - ✓ Abengoa treats more than 1,653,000 tons of industrial wastes, dedicating them to the production of new materials through the recycling of more than 708,000 tons.

  - ✓ Abengoa has increased desalination capacity to 900,000 m^3/day, which will enable supply for a population of 4.5 million.

- **The Information and Knowledge Society:** Our solutions:

  - ✓ Manage more than half the movements of hydrocarbons in pipelines in North and Latin America.

  - ✓ Transport and distribute more than 140,000 GW/h that provide electricity for a population of more than 80 million.

  - ✓ Control vehicle traffic at more than 6,000 intersections that are used by more than 170 million people per day.

- ✓ Manage the displacements of more than 2,500 million passengers per year on train and metro networks.

- ✓ Provide landing and take-off security and efficiency for more than 100 million passengers a year at more than 100 airports.

- ✓ Manage water distribution for a population of more than 25 million throughout Europe, North America, Latin America and the Middle East.

- ✓ Enable 13 million users at more than 4,000 universities and research centers throughout Europe to exchange information.

- ✓ Provide the technological infrastructure from which news is distributed 24 hours a day to more than 400 million Spanish speaking inhabitants worldwide.

- ✓ Ensure the correct distribution of more than 1,000 million liters of gasoline per month, sufficient to fill the fuel tanks of more than 22 million cars.

- **Infrastructure Creation:**

- ✓ Abengoa has constructed energy generation plants that, with a global installed rating of more than 5,000 MW, supply electric energy for a population of more than 4 million on four continents.

- ✓ Abengoa possesses 4,072 km of high-voltage lines under concession contracts in Latin America, with a capacity of almost 9,300 MW, equivalent to the annual needs of a population of 10 million.

- ✓ In Spain, in 2005, Abengoa has installed almost 110,000 new ADSL lines that allow more than 500,000 people to have broadband access to new value-add services.

1.6. Consolidated sales at 31/12/05 were 2,023.5 M €, a 15.9% increase on the previous year.

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

Sales M €

	2005	2004	%Variación (05-04)
- Bioenergy	392.7	335.2	17.2
- Environmental Services	402.4	357.8	12.5
- information Technology	362.6	281.1	29.0
- Industrial Engineering and Construction	865.8	772.0	12.2
Total	**2,023.5**	**1,746.1**	**15.9**

The Ebitda (Earnings before interest, tax, depreciation and amortization) is 216.4 M €, which is 36.3 M € (20.1%) up on the 2004 figure.

Of note to the contribution to the Ebitda, owing to their importance, is the growth of the Industrial Engineering and Construction Business Unit which contributes 98.9 M € (77.0 M € the previous year) which is a 28.4% increase, that of the Bioenergy Business Unit which contributes 43.8 M € (39.3 M € the previous year) which is a 11.5% increase, and the Information Technology Business Unit which contributes 33.3 M €, which is an 22.9% increase on the previous year's 27.1 M €.

Ebitda M €

	2005	2004	%Variación (05-04)
- Bioenergy	43.8	39.3	11.5
- Environmental Services	40.4	36.7	10.1
- information Technology	33.3	27.1	22.9
- Industrial Engineering and Construction	98.9	77.0	28.4
	216.4	**180.1**	**20.1**

Of note is the reduction in net 58.8 M € figure for financial expenses in 2005, which is an 24.9% reduction on the 2004 financial year figure. To analyze this reduction, one must take into consideration the financial income as a consequence of the increase in the stock exchange value of certain participations in officially listed securities.

Likewise, it is important to consider the company's efforts in R&D&I activities, whose impact on the financial statements, recorded as a lower EBITDA according to the new IFRS standards, goes from 15.2 M € in 2004 to 18.3 M € in 2005 (up 20.4%).

The company's Foreign Partners have experienced a significant increase (12.5 M € in 2005 and 7.8 M € in 2004) due mainly to the increase in the results of Telvent GIT (which, in 2005, consolidates a full foreign partners' year), as well as to the start-up of the High-Voltage Line concession business in Brazil.

The after tax result attributable to the parent company is 66.0 M € which is a 26.0% increase on the 2004 financial year figure (52.4 M €).

The above result means a profit of 0.73 € per share as against the 0.58 € per share obtained in 2004.

The net cash flow also increased 16.3% to 131.4 M € (113.0 M € in 2004).

The non-recourse financing applied to projects has risen 85.0%, from 364.8 M € in 2004 to 675.0 M € in 2005.

Abengoa's Net Debt in 2005 is 122.5 M € (net cash position) as against 27.8 M € (net debt position) in 2004.

The operating profit or Ebitda of the companies financed under the non-recourse scheme is 59.0 M € in 2005, which represents 27.3% of the total consolidated Ebitda. In addition, the operating profit (Ebitda) of the other companies has increased 47.8% to 157.4 M € in 2005 (106.5 M € in 2004).

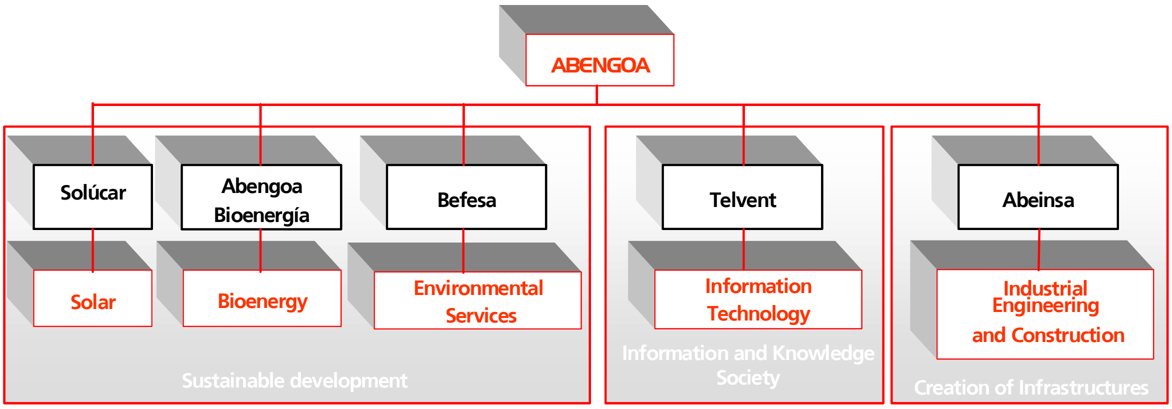
2.- Comments on the Evolution of the Business and Overall Situation of the Companies Included in the Consolidation.

2.1. General description and organization.

Abengoa is a technology company applying innovative solutions for sustainable development in the infrastructures, environment and energy sectors.

At the 2005 year end, Abengoa's stock market capitalization was € 1,122.7 million, it was present in more than 70 countries and its sales in the year were € 2,023.5 million, with an Ebitda of € 216.4 million.

Abengoa operates through five Business Groups:



The activities of the five Business Groups are as follows:

- **Solar.**

  Solucar Energía is its holding company. This Business Unit's activity focuses on the design, promotion, finance attainment, construction and operation of electric energy generating plants that utilize the sun as their primary energy source. It possesses the know-how and technology required for thermoelectric solar power plants: plant receiver systems, parabolic cylinder and parabolic dish collectors, and for photovoltaic plants, with and without concentration.

- **Bioenergy.**

  Abengoa Bioenergía 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 Medio Ambiente, the holding company of Abengoa's environmental services Business Unit, focuses its activity on providing environmental services for industry and on the construction of environmental infrastructures, while conducting aluminum waste recycling, zinc recycling, industrial waste management and environmental engineering activities.

- **Information Technology.**

  Telvent, the holding company of Abengoa's businesses in the Information Technology sector, provides high value-added solutions in four industrial sectors (Energy, Traffic, Transport, and the Environment). Its technology allows companies to make real-time business decisions utilizing data control and acquisition systems, as well as leading-edge operational applications that provide companies with secure and efficient information.

- **Industrial Engineering and Construction.**

  Abeinsa is Abengoa's holding company for this Business Unit, whose activity focuses on engineering, construction and maintenance of electric, mechanical and instrumentation infrastructures for the energy, industry, transport and services sectors: Promotion, construction and operation of industrial and conventional (cogeneration and combined cycle) power plants, and renewable energy (bioethanol, biodiesel, biomass, wind, solar and geothermal) power plants. Turnkey telecommunication networks and projects.

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	**2005**	**Δ%**	**2004**	**1995**	**CAGR(*) (95-05)**
	M €		**M €**	**M €**	**%**
Total Equity	526.2	28.8	413.1	142.7	14.2
Total Assets	3,322.7	33.5	2,490.7	493.0	21.0

Description	**2005**	**Δ%**	**2004**	**1995**	**CAGR(*) (95-05)**
	M €		**M €**	**M €**	**%**
Sales	2,023.5	15.9	1,746.1	514.2	14.7
EBITDA (1)	216.4	20.1	180.1	43.6	17.4
Pr. Attrib. to Parent Comp.	66.0	26.0	52.4	4.9	29.7
Net cash flow	131.4	16.3	113.0	24.5	18.3

(1) Earnings before interest, taxes, depreciation and amortization.
(*) 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 € 178.2 million in 1997 to € 490.7 million in 2004 and € 681.8 million in 2005, 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-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 2005 year end totals € 386.4 million under the long-term caption and € 284.5 million at short-term, in comparison with € 203.9 million and € 160.8 million respectively in 2004.

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) The full consolidation of the holding in Befesa at the year end 2000 (91.00%). For purposes of the profit and loss account, however, said consolidation affected only the contribution relating to the six-month period at the year end 2000, since the tender offer concluded in June 2000, and to a full year for the first time in 2001, which closed with a shareholding of 92.05%.

b) Capital increase in Abengoa in the year 2000, which allowed Abengoa's shareholders' equity to be increased by € 75.1 million and was concluded with the full support of the investors in the month of August 2000. The increase in the shareholders' equity represents approximately a third of that which already existed, which was increased to € 302.0 million.

c) Signature of a syndicated loan in 2001 for an amount of € 340 million maturing at 6 years, signed with 38 financial institutions and structured to reinforce the company's financial resources after the acquisition of Befesa through the tender offer subsequently launched on the stock market.

d) Divestment in the wind power activity in October 2001, representing a net reduction on the balance sheet of € 83.9 million in Fixed Assets in Projects and € 64.9 million in Financing without Recourse Applied to Projects

e) Acquisition of the United States company High Plains Corporation, with an investment of 100 million US dollars. The whole investment was made using the Abengoa's available treasury resources and is shown on the balance sheet for 2001.

f) Signature of a syndicated loan in 2002 for an amount of € 500 million maturing at 6 years, signed with 51 financial institutions and structured to reinforce the company's financial resources after the acquisitions of Befesa and High Plains.

g) 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.

h) 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 € 61.2 M.

i) Constitution of a Syndicated Loan in financial year 2005, composed of principal of € 500 M with 7-year maturity, plus a revolving credit line of € 100 M 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.

2.2.3. In the evolution of the Business Groups at the level of Sales and Ebitda, particularly notable is the growth experienced in Information Technologies, with a 29% increase in Sales and 23% in Ebitda:

	Sales 2005			Sales 2004		Sales 1995	
Business Group	**M €**	**% over total**	**∆ 05/04 (%)**	**M €**	**% over total**	**M €**	**% over total**
Bioenergy	392.7	19.4	17.2	335.2	19.2	0.0	-
Environmental Services	402.4	19.9	12.5	357.8	20.5	30.9	6.0
Information Technology	362.6	17.9	29.0	281.1	16.1	118.3	23.0
Engineering and Industrial Construction	865.8	42.8	12.2	772.0	44.2	365.0	71.0
Total	**2,023.5**	**100.0**	**15.9**	**1,746.1**	**100.0**	**514.2**	**100.0**

	Ebitda 2005			Ebitda 2004		Ebitda 1995	
Business Group	**M €**	**% over total**	**∆ 05/04 (%)**	**M €**	**% over total**	**M €**	**% over total**
Bioenergy	43.8	20.2	11.5	39.3	21.8	0.0	-
Environmental Services	40.4	18.7	10.1	36.7	20.4	0.4	1.0
Information Technology	33.3	15.4	22.9	27.1	15.0	13.5	31.0
Engineering and Industrial Construction	98.9	45.7	28.4	77.0	42.8	29.7	68.0
Total	**216.4**	**100.0**	**20.1**	**180.1**	**100.0**	**43.6**	**100.0**

2.2.4. In 2005, 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 2,023.5 M € billed in the 2005 financial year, 981.8 M € (48.5%) is from sales abroad. The activity in Spain amounted to 1,041.7 M € (51.5%) compared to 1,034.1 M € in 2004 (59.2%).

Of the total sales figure abroad, 744.2 M € (36.8%) correspond to local activity, that is to say, billing by the local companies established in different countries, and exportation by Spanish companies amounted to 237.6 M € (11.7%). In 2004, the local activity and exportation represented 27.9% and 12.9% respectively.

We would especially mention the variation in the contribution from the different geographical areas. Latin America continues representing a similar percentage to that of 1995. Nevertheless, the contribution from the USA and Canada, that in 1995 was non-existent, is currently 13.4%.

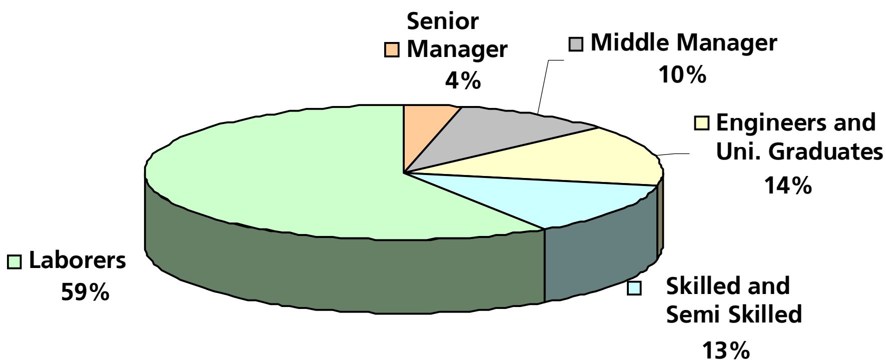
International Activity

	2005		2004		1995		CAGR(*) (95-05)
Exports and Sales by Local Companies	**M €**	**%**	**M €**	**%**	**M €**	**%**	**M €**
- USA and Canadá	270.3	13.4	228.2	13.1	0.0	0.0	-
- Latin America	492.3	24.3	299.1	17.1	121.8	23.7	15.0
- Europe (excluding Spain)	122.2	6.0	123.5	7.1	14.7	2.9	23.6
- África	46.3	2.3	33.2	1.9	4.9	0.9	25.3
- Asia	47.3	2.3	27.7	1.6	11.9	2.3	14.8
- Oceania	3.4	0.2	0.3	0.0	0.0	0.0	-
Total foreign sales	981.8	48.5	712.0	40.8	153.3	29.8	20.4
Total Spain	1,041.7	51.5	1,034.1	59.2	360.9	70.2	11.2
Consolidated total	2,023.5	100.0	1,746.1	100.0	514.2	100.0	14.7

(*) 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	**2005**	**%**	**2004**	**1995**
Spain	6,000	54.1	5,334	4,112
Abroad	5,082	45.9	3,984	1,982
Total	**11,082**	**100%**	**9,318**	**6,094**



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

In January 2006, Nefinsa reported its interest in exercising the sale option of 4.88% of the share capital it held in the subsidiary company Befesa Medio Ambiente, S.A. The said sale operation was recognised by Abengoa, S.A. at a price of € 16.30 per share in the agreement signed in December 2002 by and between Abengoa, S.A. and Terraire, S.A. (currently taken over by Nefinsa, S.A.) by virtue of which the latter transferred to Alianza Medioambiental (a subsidiary 100% of Abengoa) its holding (47.5%) in Complejo Medioambiental de Andalucía, S.A. and, at the same time, Terraire (Nefinsa) acquired 4.88% of the share capital of Befesa Medio Ambiente owned by Asa Environement & Energy Holding (a subsidiary of Abengoa). The repurchase by Abengoa, S.A. was carried out on 19 January 2006 at the agreed price.

On 23 January 2006, in accordance with the agreements adopted by the general shareholders meeting of 16 October 2005, a plan for the acquisition of shares for the group's directors was adopted under the following basic terms and conditions:

- For: 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.

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

- Those taking advantage of the plan will be able to access a bank loan for the purchase at market value of the shares of Abengoa already issued and in circulation, for a term of up to 31 December 2006, in accordance with the Stock Market Act, with the guarantee of Abengoa and excluding personal liability, in accordance with article 81.2 of the Limited Companies Act and up to a maximum of €87 million (including expenses, commissions and interests). The term of repayment of the loan shall be five years and six months.

On 22 February 2006, the Secretary to the Board of Directors received notification of the trial star up, agreed by the “Juzgado Central de Instrucción num. 4, Audiencia Nacional”, against the members of the Board of Directors of Abengoa, S.A., Mr. Felipe Benjumea Llorente, Mr. Javier Benjumea Llorente, Mr. José Joaquín Abaurre Llorente and Mr. José Luis Aya Abaurre, as well as against the non-voting secretary Mr. Miguel Ángel Jiménez-Velasco Mazarío and also against Mr. Manuel Sánchez Ortega (current Telvent´s GIT, S.A. Chairman), by a supposed offence of disloyal administration of the article 295 of the Penal Code as a consequence of the purchase of shares from Xfera Móviles, S.A. to Inversión Corporativa, I.C., S.A. The Auto includes Inversion Corporativa as civil subsidiary responsible in relation to the aforementioned transfer.

Accordingly, the following must be taken into consideration:

1. As explained in detail in the report, the investment in Xfera is of strategic importance for Telvent (an information technologies business group). The value of the said shareholding is based on the tacit capital gains that may arise in favour of the group from the induced business and is partially amortised through the application of the bookkeeping principle of prudence. Accordingly, the Board of Directors of Telvent GIT has unanimously ratified that its commitment to its strategic interest in said company and its decision to take part in the development of UMTS technology remains in force since its initial indication with its participation in 1999 in the Movilweb 21 consortium in the tender for the allocation of UMTS frequencies.

2. In addition, Inversión Corporativa has repeatedly expressed the current nature and application of the indemnity contract of 27 October 2000 by virtue of which the vendor company covers the damages that may arise for Abengoa/Telvent as a consequence of the acquisition of Xfera shares, as was reported to the market, among others, through the relevant facts of 7 February and 7 November 2003. Furthermore, in its meeting of 16 February 2006, the Board of Directors of Inversión Corporativa adopted the measures for dealing with the improbable but not impossible event of its having to pay the corresponding indemnification. In particular, it has notified that Inversión Corporativa is to immediately constitute the guarantees required for the fulfilment of the obligations referred to by the aforementioned agreement.

3. In view of the above, the Board of Directors of Abengoa has resolved to report the notification received from IC in the next General Shareholders Meeting and to propose that the General Shareholders Meeting adopts the corresponding agreements.

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

4.1. 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.

4.2. 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.

4.3. 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.

5.- <u>Information on Research and Development Activities</u>.

5.1. Abengoa continued to increase its R&D&i effort in the year 2005 (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 2005 , 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) and the European authorities (Framework R&D Programs).

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 2005, investment in R&D totalled € 65.9 million in comparison with € 23.3 million in 2004, increasing the effort to update the Group's technological capacity, which totalled € 140.6 million at December 31, 2005, being approximately € 117.0 million at December 2004.

For the year 2006, the company plans to make an even greater R&D&i investment effort, up to a sum of more than € 74 million. 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. Quality and Environmental Management.

The progressive implementation of the Quality Management Systems in the Abengoa companies, in both Spain and the other countries where they are present, is one of the strategic objectives of the group's quality commitment. This objective is built around the Quality Management model in accordance with the International Standard ISO 9001 and the EFQM Excellence model.

As a result of the path followed in earlier years, at the end of 2005, 92% of the Abengoa companies had Quality Management Systems certified under ISO 9001. Likewise, 74% of the companies had Environmental Management Systems certified under ISO 14001.

The percentage distribution by Business Group of the companies with Quality and Environment certifications is shown below:

Business Group	% Companies Certified under ISO 9001	% Companies Certified under ISO 14001
Information Technology	92 %	77 %
Engineering and Industrial Construction	96 %	65 %
Environmental Services	89 %	78 %
Bioenergy	80 %	60 %

The Spanish companies of the Bioenergy Business Group, Ecocarburantes Españoles, S.A. and Bioetanol Galicia S.A., have developed and implemented an integrated management model for Quality, Environment and the Prevention of Risks at Work, which was certified by an international certification entity in 2004. Regarding the United States company Abengoa Bioenergy Corp., it is governed by the most influential local rules in its sphere of production.

As tools to improve the Quality and Environmental Management Systems, almost all the Group companies have implanted a new version of the two computer applications: for management and problems resolution (PRR) and for processing the improvement actions (IA).

7. Information on the Acquisition of Own Shares.

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 2005.

The Shareholders' General Meeting held on 26 June 2005 agreed to authorise the Board of Directors to make derived acquisitions, through purchases, of shares in the company that may be made either directly or via subsidiary companies or investees up to the maximum limit specified under current provisions at a price of between three euro cents (0.03 euros) per share minimum and one hundred and twenty euros and twenty cents (120.20 euros) per share maximum, being able to make use of this facility during a period of eighteen (18) months from this date and subject to that specified in Section Four of Chapter IV of the Revised Text of the Spanish Companies Act, expressly revoking the authorisation conferred to the Board of Directors, for the same purposes, by virtue of the agreement adopted by the Shareholders' General Meeting held on 29 June 2003.

To date, the Board of Directors has not made use of the prior authorisation.

On September 15, 2004, the Board of Directors of Abengoa, on the basis that the quoted price of the Company at that date, which was around 7 euros per share during the last quarter, did not reflect the Company's true growth potential, considered it of interest, from a financial point of view, for the Company to invest in its own shares. Notwithstanding, taking into account the fact that the Company is, by definition, a shareholder that possesses more information than the rest of the market and that, even without wishing to do so, its operations may influence the Company's share price, it adopted the pertinent rules and precautions in order to guarantee that there was no artificial influence on price formation. Consequently, making use of the authorization conferred by the General Meeting, the Board of Directors agreed to implement a program that made the acquisition of its own shares possible, earmarking a maximum amount of € 15 million last year, without exceeding, under any circumstances, 5% of the capital stock, subject at all times to the applicable legal rules, particularly those contained in Title VII of Law 24/1988 on the Stock Market and in the Company's Internal Conduct Regulations on Stock Market Matters. Abengoa, S.A. did not acquire any of its own shares neither during the exercises 2004 nor 2005 .

The general shareholders meeting of Abengoa, S.A. on 16 October 2005 authorised the board of directors for the following:

1.- To adopt, if considered appropriate, a plan for the acquisition of shares by the directors of the company (hereinafter called the "Plan") subject to the following basic terms and conditions:

- For: 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.

- Those taking advantage of the plan will be able to access a bank loan for the purchase at market value of the shares of Abengoa already issued and in circulation, in accordance with the Stock Market Act, with the guarantee of Abengoa, in accordance with article 81.2 of the Limited Companies Act and up to a maximum of €87 million. The term of repayment of the loan will be approximately 5 years.

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

- Maximum term for the adoption of the plan by the board of directors: until 31 December 2006.

- To empower the board of directors to establish, should the plan be adopted, all the remaining terms and conditions, especially those related to those eligible for the plan and to the banks financing the acquisition of the shares by the directors.

2.- So that in order to execute, where applicable, the plan for the acquisition of shares by the company's directors or with whatsoever other considered appropriate, it may proceed to the secondary acquisition, by purchase or on a payment basis, of shares of the company either directly or through subsidiary or part-owned companies up to the maximum limit laid down in current legislation at a price of between three eurocents (€ 0.03) and one hundred and twenty euros and twenty eurocents (€ 120.20) per share, making use of this faculty during a period of eighteen (18) months from this date and subject to the provisions laid down in section 4 of chapter IV of the re-written text of the Limited Companies Act. For these purposes, the authorisation awarded to the board of directors by virtue of the agreement adopted by the ordinary general shareholders meeting of 26 June 2005 is expressly revoked.

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. In the year 2001, incentive programs for management personnel and employees were introduced in Befesa Medio Ambiente, S.A. and Telvent GIT, S.A., and in 2004 in Abengoa Bioenergía, S.A. These programs are based on the management personnel and employees' acquiring 358,880 shares in Befesa, 1,799,000 shares in Telvent, and 94,330 shares in Abengoa Bioenergía, S.A., through personnel loans granted to the purchasers by financial institutions. These loans bear a variable interest rate and mature at five years, being secured by the pledge of the shares acquired and, subsidiarily, by Abengoa. The holding of the shares by the management personnel and employees is linked to meeting a management objectives program over the next five years.

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.