Consolidated Directors' Report for the Year 2003

(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 2003, held a group formed by the following companies: the parent company itself, 181 subsidiaries and 26 associated companies. Likewise, it held direct or indirect interests in 184 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 Annual Accounts and in the present Directors' Report, Abengoa is publishing an "Annual Report" describing the most important achievements in the year 2003. This Report is available in Spanish, English and French. Said Annual Report, which is printed before the General Shareholders' Meeting at which the Annual Accounts for 2003 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 four Business Groups into which Abengoa was structured at December 31, 2003.

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 Meeting held on 29th June 2003, Abengoa, S.A. had 7,707 shareholders (24/06/03).

As on 31st December 2003, 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) 45,357,976 shares were traded in 2003. The average volume of daily trading over the year was 181,431 securities compared with 137,954 in 2002 (up 31.5%). Minimum, maximum and average listed share prices in 2003 were euros 4.03, euros 6.21 and euros 5.27 respectively. The last closing price quoted for Abengoa shares in 2003 was euros 5.77, 3.04% higher than on 31st December 2002, and 170.9% higher than the share price established for the public offering on 29th November 1996.

1.4. Over recent years, Abengoa has carried out actions that have consolidated the strategic plan defined in 1996 (the year in which the company was first listed on the Stock Exchange). In this period, it has taken advantage of the traditional activity's capacity as a springboard to generate businesses with greater value added and, at the same time, attain the diversification of activities and geographic markets. A good part of the objectives attained have been possible because of the financing without recourse of projects that have allowed the margin on the traditional activity to increase, while, at the same time, Abengoa's equity situation has been protected.

The actions culminated since the year 2000 permitted to consolidate the capacities of the four business groups that today form Abengoa as an industrial and technological company, the activities of which are described later.

The following strategic operations performed over recent years should be highlighted:

<u>Year 2000</u>

- Acquisition of Befesa through a tender offer, with an investment of € 300 million.

- Coming into operation of the first Bioethanol plant in Spain, with a production capacity of 100 M.Litres/year, representing an investment of € 93.8 million.

- Capital increase in Abengoa, allowing the shareholders' equity to increase by € 75.1 million.

<u>Year 2001</u>

- Integration of Abengoa's Environment Division (specialised in environmental engineering) into Befesa, with a capital increase of € 12.4 million in Befesa by means of the contribution of Abensur.

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

<u>Year 2002</u>

- Acquisition of High Plains Corporation, the fifth largest bioethanol producer in the United States, by means of a tender offer, with an investment of € 100 million.

- Coming into operation of the second Bioethanol plant in Spain, with a production capacity of 126 M.Litres/year, representing an investment of € 92.1 million.

- The United States Department of Energy (D.O.E.) awarded a R&D project for the technological improvement of the ethanol production process, employing biomass, optimising the economy of the process and increasing the energy yield in ethanol production, also reducing the cost of producing ethanol and making it more competitive compared to gasoline.

Year 2003

- Acquisition of Metso Corporation's Network Management Solutions Division through the 100% purchase of its subsidiaries in Canada and the United States. The two companies purchased, nowadays known as Telvent Canadá and Telvent USA, put Telvent in a leading position at international level in the Control and Information Systems market for the oil, gas and electric energy sectors, as well as for the water sector.

  The total amount of the investment in the two companies was 35 MUDS (including 7 MUSD in Cash), 20% of which was deferred for a year to guarantee any possible contingencies that might arise after the transaction had been closed, a further 20% was paid with the companies' own cash, 30% was financed by means of debt without recourse of the companies acquired, and the remaining 30% was paid through shareholders' funds.

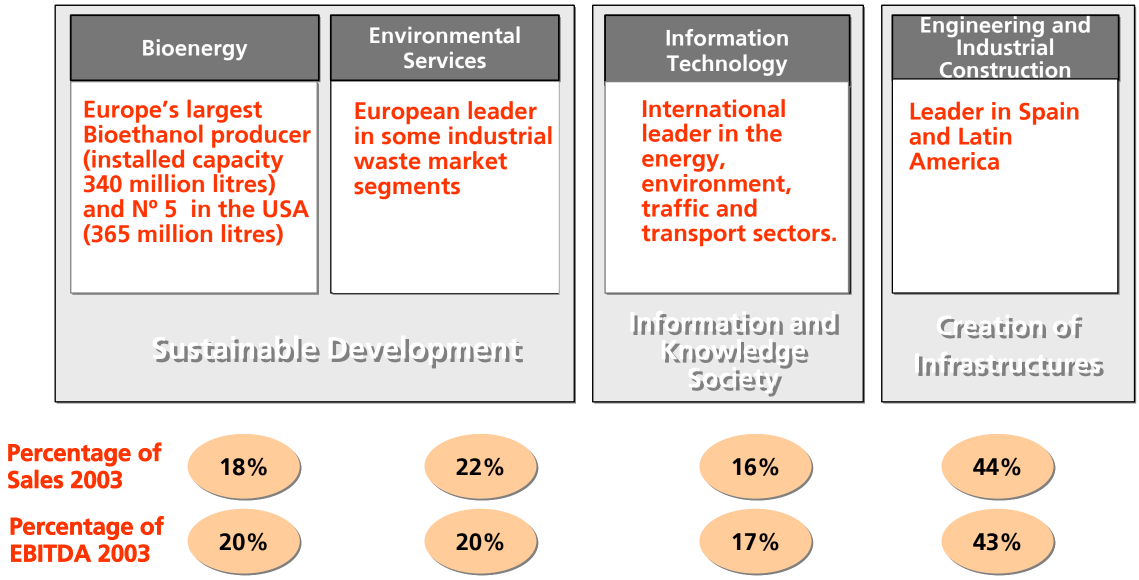
- Construction of the third bioethanol plant, in Spain, commenced. It is located in Babilafuente (Salamanca) and an investment of almost € 150 million has been made. Its production capacity will be 200 million liters per year of bioethanol to be mixed directly (blending) with petrol. The raw material to be used is corn stover, wine alcohol and biomass.

- Bioethanol exports to Europe commenced (1,400 m^3 for the Swedish market and 1,100 m^3 for the German market). With these supplies, Abengoa expanded its activity in Europe by increasing and diversifying its customers between oil companies and refineries on the continent, while also consolidating its presence in the markets it already worked in and participating in new emerging markets.

In this period of diversification and growth, Abengoa has received the support of the financial markets, obtaining the funds needed in order to grow. Growth has been financed mainly through four income sources: i) Capital increase in the year 2000, ii) Funds generated by the traditional activity, iii) Financing without recourse applied to projects and iv) Long-term corporate financing.

1.5. Current structure of Abengoa and nature of its business.

The result of the operations performed in the period 2000 – 2002 mentioned above configured Abengoa as an industrial and technological company that provides solutions for Sustainable Development, the Information and Knowledge Society and Infrastructure Creation, acting through four business units.



Apart from the fact that it is structured into these four business units, there are currently two types of activity in Abengoa at present: a) Engineering, Construction and Services, which, in turn, is formed by traditional engineering activity, financed turnkey projects and recurrent and service activity, and b) Sale of commodities. These two types of business source exist, to a greater or lesser degree, in each of the four business units.

a) Traditional engineering and construction activity: its main income source is based on Abengoa's capacity to obtain contracts and relates to private bids, public tenders and private or other types of award. In this respect, it makes no difference whether Abengoa is providing a service (performing works) or delivery a specific asset (manufacturing).

- Financed turnkey projects (integrated product): the main income source is Abengoa's capacity to obtain contracts, but this activity has a structured finance component (with or without capital investment).

  It is applied in significant High Tension Line projects (such as the ANEEL line in Brazil, the Ralco line in Chile and the CFE line in Mexico), Conventional and Combined Cycle Plants (such as El Sauz, CD S. Carlos), Cogeneration Plants (such as Motril), Biomass Plants (B. Jiennense, EHN), Bioethanol Plants (Castilla-León, Bioetanol Galicia, ETBE Huelva), Solar Plants and Electricity Plants with hydrogen fuel cells.

- <u>Recurrent and service activities</u>: their income source, although depending on a bid, is based on recurrent Operation and Maintenance (O&M) activity, spare parts and similar, the contracts for which usually have a term longer than one year. As significant examples, Sainco's contracts with electricity companies, the O&M contracts of Inabensa with vehicle manufacturers or electricity companies, Abentel with Telefónica, Sainco Tráfico with the Directorate General of Traffic and Municipal Councils, managements plants, industrial waste treatment, etc. may be highlighted.

b) <u>Activities related to "commodities"</u>:

A sale of products activity, the income of which is correlated to the sale of a commodity. In this kind of activity, we distinguish between products: Metallic, Non-Metallic, Sale of electricity from any of Abengoa's production plants (Cogeneration, Biomass, Solar or others) and sale of ethanol and its derivatives.

- <u>Metallic</u>:

  <u>Zinc</u>. The income from this activity has two basic variables: i) a royalty and ii) the price of the metal. It falls within the Zinc Waste Recycling activity.

  <u>Aluminium</u>. This is encompassed in the Aluminium Waste Recycling activity.

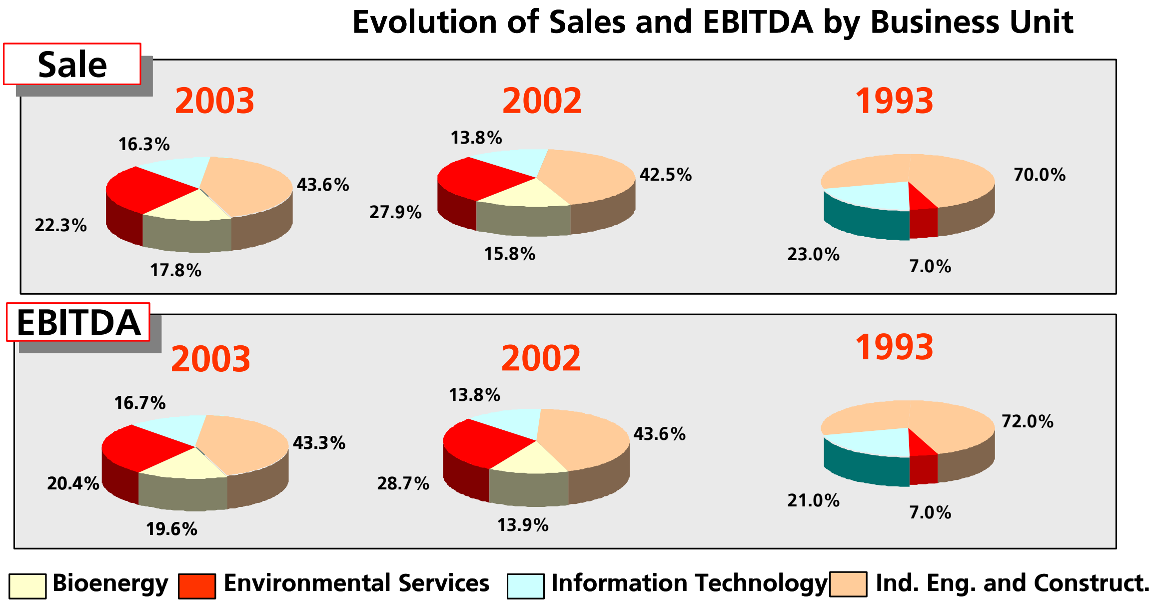
  <u>Aluminium sales</u>. Like zinc, a fee is obtained for withdrawing the waste, which, in turn, is treated, thus obtaining by-products that can be sold.

- <u>Non-Metallic</u>. Desulphurization: consists of recycling sulphur waste from refineries, which is transformed into sulphuric asset, generating, in turn, steam with which electricity is produced.

- <u>Sale of electricity from any of Abengoa's production plants</u> (Cogeneration, Biomass, Solar or other): Production of cogeneration or biomass plants; Energy Promoters (include Nuelgas, Cogesur, the bioenergy cogeneration activity and fuel cells), the part of electricity sales of the cogeneration plants of Environmental Services (Aureca, Aureval, Auremur).

- <u>Sale of ethanol</u>. Affected by i) the price of gasoline, ii) the price of grain and iii) the price of gas and DDGS and CO_2 by-product.

Today Abengoa offers a combination of businesses that represent a greater diversification in markets and customer portfolio and that reinforces its capacities in respect of its original Engineering business.



1.6. Consolidated sales at 31/12/03 were € 1,635.3 million, a 7.5% increase on the previous year. The increase in sales is mainly attributable to the Bioenergy Business Unit, with sales amounting to € 291.4 million, as compared to € 240.0 million in 2002 and the Information Technology Business Unit, with sales amounting to € 265.5 million, as compared to € 210.0 million in 2002. This growth came about in spite of the unfavorable exchange rates for the currencies of different countries in which 40.7% of Abengoa's billing is done, the bad trade cycle in the Aluminum sector and the fall in the sales prices for the electric energy Abengoa generates in its Cogeneration plants.

Ebitda (earnings before interest, taxes, depreciation and amortization) amounted to € 185.2 million, an increase of € 10.4 million (5.9%) on the 2002 figure.

As regards Business Units, Abengoa increased the contribution to Ebitda in all business areas with the exception of Environmental Services, an area that has been greatly effected by the unfavorable trade cycle in the Aluminum sector.

It is important to mention the effort made in 2003 to amortize consolidation goodwill amounting to € 19.4 million (16% more than the € 16.7 million in 2002), as well as the increase in tangible fixed assets to € 53.3 million (from € 47.7 million in 2002) and the effort made to amortize R&D&I, the figures for which went from € 7.6 million in 2002 to € 13.5 million in 2003.

When analyzing the company's financial statement for 2003, it is important to underline the positive impact of the Banco Santander Central Hispano's shares which resulted in earnings of € 15.0 million before taxes.

The net extraordinary result is € 1.7 million, of which the most significant amounts correspond to capital gains on the sale of Elsur to Agua y Gestión de Servicios Ambientales for € 5.3 million and the extraordinary losses as a consequence of the structural re-conversion of the Aluminum business for € –4.8 million.

The result before taxes is € 64.5 million, which represents a 172.1% increase on the previous year (€ 23.7 million).

The corporate income tax expense was € 16.7 million in 2003, in comparison with tax paid of € 21.4 million in 2002, as a result of applying the Resolution of the Instituto de Contabilidad y Auditoría de Cuentas Español (Spanish Accounting and Auditing Institute) of March 15, 2002.

The result after taxes attributable to the parent company is € 47.0 million, an 8.1% increase on the 2002 financial year figure (€ 43.5 million).

The above profit represents a profit per share of 0.52 € obtained in the year 2003.

Net cash flow also increased by 11.6% to € 137.5 million (€ 118.3 million in 2002).

The Board of Directors proposes to the General Shareholders Meeting the distribution of a dividend of 0.14 Euros per share charged to the year 2003, representing a total pay-out of € 12.6 million for the 90.469.680 outstanding shares.

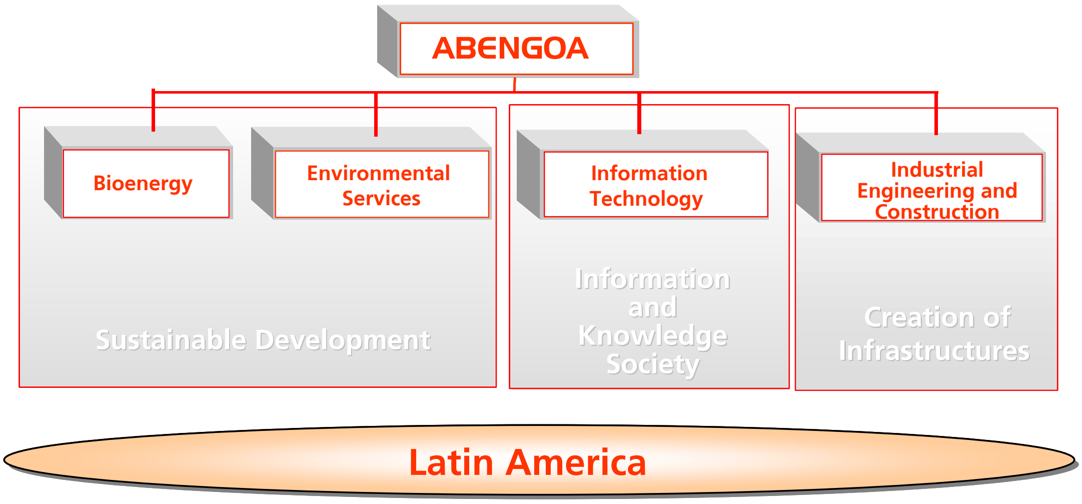
2.- Comments on the Evolution of the Business and Overall Situation of the Companies Included in the Consolidation.

2.1. General description and organization.

Abengoa was formed in Seville in 1941. It is an industrial and technological Company that provides solutions for sustainable development, the information and knowledge society and the creation of infrastructures.

At the 2003 year end, Abengoa's stock market capitalization was € 522 million, it was present in more than 70 countries and its sales in the year were € 1,635.3 million, with an Ebitda of € 185.2 million.

Abengoa operates through four Business Groups:



The activities of the four Business Groups are as follows:

- **Bioenergy**

  Production of ethyl alcohol from vegetable products (cereals, biomass). The alcohol (bioethanol) is used to manufacture ETBE (petrol component) or to be blended directly with petrol and gasoil. As it is a renewable energy, net CO_2 emissions are reduced (greenhouse effect). Production of DDGS (Distillers Dried Grain and Soluble), a protein complement for animals and $C0_2$.

- **Environmental Services**

  Aluminium waste recycling, salt slag recycling, zinc waste recycling, industrial waste recycling, industrial cleaning and environmental engineering services (engineering and construction for water treatment and waste management).

- **Information Technology**

  Systems and Service Development and Integration. Systems for: Information Control, Private Telecommunications Networks, Business Process Payment and Automation for the Energy, Environment, Traffic, Transport and Public Administration Sectors. Services of: Hosting, Management, Administration and Maintenance of Technical Infrastructures.

- **Engineering and Industrial Construction**

  Engineering, construction and maintenance of electrical, mechanical and instrumentation infrastructures for the energy, industrial, transport and service sectors. Development, construction and operation of industrial plants and conventional power plants (cogeneration and combined-cycle) and renewable energy facilities (bioethanol, biomass, wind, solar and geothermal). Turnkey telecommunications networks and projects.

- **Latin America**

  Market where Abengoa has had a stable presence for more than 30 years through local companies that carry on all the activities of the Business Groups autonomously, applying the management rules of Abengoa as a whole.

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	2003	∆%	2002	1993	AAGR(*) (93-03)
	€ million		€ million	€ million	%
Equity	330.8	+6.4	310.8	139.9	+9.0
Total Assets	2,363.1	+2.2	2,311.3	460.0	+17.8

Description	2003	∆%	2002	1993	AAGR(*) (93-03)
	€ million		€ million	€ million	%
Sales	1,635.3	+7.4	1,521.9	445.4	+13.9
EBITDA (1)	185.2	+6.0	174.7	25.8	+21.8
Pr. Attrib. to Parent Comp.	47.0	+8.0	43.5	7.4	+20.3
Net cash flow	137.5	+16.2	118.3	17.4	+23.0

(1) Earnings before interest, taxes, depreciation and amortization.
(*) AAGR: Constant Average 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 (year of the full consolidation of Siema) to € 384.3 million in 2002 and € 463.0 million in 2003, basically as a result of tangible fixed assets representing the investments in the projects of Siema. These investments are located in the activities of water and environmental management and in energy-producing plants and installations belonging to the different Project promotion companies in which interests are held either by Siema or 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 2003 year end totals € 176.2 million under the long-term caption and € 93.5 million at short-term, in comparison with € 140.4 million and € 129.6 million respectively in 2002.

- The change in the size and structure of Abengoa's balance sheet in the last three 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 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.

2.2.3. The contribution of the Business Groups to the Sales and the Ebitda shows the recent contribution of Bioenergy and Environmental Services, the weight of which, particularly the contribution to the Ebitda, has already become very significant (42% overall).

	Sales 2003			Sales 2002		Sales 1993	
Business Group	**€ million**	**% over total**	**∆ 03/02**	**€ million**	**% over total**	**€ million**	**% over total**
Bioenergy	291.4	17.8	+21.4	240.5	15.8	0.0	-
Environmental Services	365.4	22.3	-14.0	424.6	27.9	31.2	7.0
Information Technology	265.5	16.3	+26.4	210.0	13.8	102.4	23.0
Engineering and Industrial Construction	713.0	43.6	+10.2	646.8	42.5	311.8	70.0
Total	**1,635.3**	**100.0**	**+7.5**	**1,521.9**	**100.0**	**445,4**	**100.0**

	Ebitda 2003			Ebitda 2002		Ebitda 1993	
Business Group	**€ million**	**% over total**	**∆ 03/02**	**€ million**	**% over total**	**€ million**	**% over total**
Bioenergy	36.3	19.6	+50.0	24.2	13.9	0.0	-
Environmental Services	37.8	20.4	-24.6	50.1	28.7	1.8	7.0
Information Technology	31.0	16.7	+28.6	24.1	13.8	5.4	21.0
Engineering and Industrial Construction	80.1	43.3	+5.0	76.3	43.6	18.6	72.0
Total	**185.2**	**100.0**	**+6.0**	**174.7**	**100.0**	**25.8**	**100.0**

2.2.4. In 2003, in spite of the unfavorable evolution of the foreign currency exchange rates, Abengoa continued to increase its activity abroad, in volume as well as diversification. The contribution from the United States and Canada stands out this year, a consequence of the acquisition of Telvent USA and Telvent Canadá, as well as of the consolidation of the bioenergy business in the United States. Of the € 1,635.3 million billed in 2003, € 664.1 million (40.7%) correspond to sales abroad. The activity in Spain amounted to € 971.2 million (59.3%) compared with € 910.1 million in 2002 (59.8%).

Of the total sales figure abroad, € 443.0 million (27.1%) correspond to local activity, that is to say, billing by the local companies established in different countries, and exportation by Spanish companies amounted to € 221.1 million (13.6%). In 2002, the local activity and exportation represented 25.4% and 14.8% respectively

We would mention the variation in the contribution from the different geographical areas. In this way, Latin America has gone from representing 40% in 1999 to 20.4% in 2003. Likewise, the contribution from the USA and Canada, which was practically nil in 1999, now amounts to 12.8%. Geographical distribution of the sales is as follows

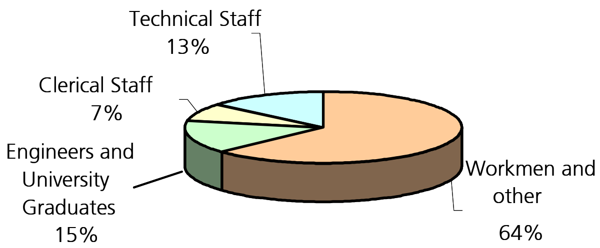
International Activity

	2003		**2002**		**1993**		**AAGR(*) (93-03)**
Exports and Sales by Local Companies	**€ million**	**%**	**€ million**	**%**	**€ million**	**%**	**%**
- USA and Canadá	209.8	12.8	143.2	9.4	-	-	-
- Latin America	332.9	20.4	333.7	21.9	119.4	26.8	10.8
- Europe (excluiding Spain)	76.7	4.7	94.3	6.2	14.7	3.3	18.0
- África	27.8	1.7	10.9	0.7	6.6	1.5	15.4
- Asia	16.9	1.1	29.7	2.0	8.0	1.8	..7.7
Total foreing sales	664.1	40.7	611.8	40.2	148.7	33.4	16.2
Total Spain	971.2	59.3	910.1	59.8	296.7	66.6	12.6
Consolidated total	1,635.3	100.0	1,521.9	100.0	445.4	100.0	13.9

(*) AAGR: Constant Average Annual Growth Rate.

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

Average Number of Employees	**2003**	**%**	**2002**	**1993**
Spain	5.521	63%	5.946	4.938
Abroad	3.305	37%	2.483	2.116
Total	**8.826**	**100%**	**8.429**	**7.054**



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

No further events have occurred that could have a significant influence on the information contained in the Consolidated Annual Accounts formulated by the Directors as of today's date or that should be highlighted as significant for the different companies or the Group as a whole.

4.- Information on the Forecast Evolution of the Group.

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), 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. and the increased bioethanol production capacity 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.- Information on Research and Development Activities.

5.1. Abengoa continued to increase its R&D&I effort in the year 2003 (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 2003, 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 2003, investment in R&D totalled € 14.1 million in comparison with € 9.9 million in 2002, increasing the effort to update the Group's technological capacity, which totalled € 105.3 million at December 31, 2003, being approximately € 91.9 million at December 2002.

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 2003, 75% of the Abengoa companies had Quality Management Systems certified under ISO 9001. Likewise, 53% 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	100%	90%
Engineering and Industrial Construction	71%	46%
Environmental Services	52%	59%
Bioenergy	25%	0%
Latin America	80%	30%

In the Bioenergy Business Group, attention should be drawn to the fact that the Spanish companies, Ecocarburantes, S.A. and Bioetanol Galicia, S.A., are in the development and implementation phase of an integrated management system for Quality, Environment and Safety at Work. The objective is to have the system fully implemented during the year 2003, in order to commence the certification procedures at the end of the year and obtain certification in 2004. The United States company, High Plains, is governed by local rules of greater influence in it sphere of production.

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

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 2003.

The Shareholders' General Meeting held on 29 June 2003 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 30 June 2002.

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

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. These programs are based on the management personnel and employees' acquiring 358,880 shares in Befesa and 4,347 shares in Telvent, 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.