Consolidated Financial Statements for the 2005 Financial Year

a) Consolidated Balance Sheets at 31 December 2005 and 2004

Consolidated Balance Sheets of Abengoa at December 31, 2005 and 2004

- Figures in thousands of euros -

Assets	31/12/2005	31/12/2004
A. Non-Current Assets		
I. Intangible Assets		
Goodwill	303,425	297,293
Other intangible assets	52,371	15,457
Provisions and depreciation	(7,129)	(2,802)
	348,667	**309,948**
II. Tangible Fixed Assets		
Tangible fixed assets	873,924	609,970
Provisions and depreciation	(331,201)	(251,353)
	542,723	**358,617**
III. Fixed Assets in Projects		
Intangible assets	419,359	213,189
Provisions and depreciation	(11,824)	(11,728)
Tangible fixed assets	306,139	357,384
Provisions and depreciation	(31,907)	(68,157)
	681,767	**490,688**
IV. Financial Investments		
Investments in associate companies	50,036	38,211
Financial assets available for sale	30,685	30,239
Financial accounts receivables	53,514	26,951
Deferred tax assets	136,831	119,964
	271,066	**215,365**
Total Non-Current Assets	**1,844,223**	**1,374,618**
B. Current Assets		
I. Inventories	**137,806**	**128,195**
II. Clients and Other Receivables Accounts		
Trade receivables for sales and services	365,823	299,048
Credits and other receivables	159,772	125,616
	525,595	**424,664**
III. Financial Investments		
Financial assets at fair value	122,768	99,786
Financial assets available for sale	2,108	331
Financial accounts receivables	245,494	205,912
Derivative financial instruments	9,364	5,072
	379,734	**311,101**
IV. Cash and Cash Equivalents	**435,366**	**252,145**
Total Current Assets	**1,478,501**	**1,116,105**
Total Assets	**3,322,724**	**2,490,723**

Consolidated Balance Sheets of Abengoa at December 31, 2005 and 2004

- Figures in thousands of euros -

Equity and Liabilities	31/12/2005	31/12/2004
A. Capital and Reserves		
I. Share Capital	**22,617**	**22,617**
II. Parent Company Reserves	**226,622**	**226,302**
III. Other Reserves	**(20,302)**	**(10,391)**
IV. Translation Differences		
At fully or proportionally consolidated companies	23,539	(26,265)
At companies consolidated by the equity method	3,916	(637)
	27,455	**(26,902)**
V. Retained Earnings	**138,704**	**92,451**
B. Minority Interest	**131,095**	**109,067**
Total Equity	**526,191**	**413,144**
C. Non-Current Liabilities		
I. Long-Term non-Recourse Financing (Project Financing)	**386,365**	**203,939**
II. Loans and Borrowing		
Bank loans	530,002	529,456
Obligations and other loans	134,198	120,345
Obligations under financial leasing	22,701	14,997
	686,901	**664,798**
III. Provisions for Other Liabilities and Expenses	**47,702**	**36,860**
V. Deferred Taxes Liabilities	**49,327**	**69,532**
VI. Employee Benefits	**1,605**	**2,163**
Total Non-Current Liabilities	**1,171,900**	**977,292**
D. Current Liabilities		
I. Short-Term non-Recourse Financing (Project Financing)	**284,475**	**160,838**
II. Loans and Borrowing		
Bank loans	166,699	61,646
Obligations and other loans	28,059	7,775
Obligations under financial leasing	8,462	9,157
	203,220	**78,578**
III. Suppliers and Other Trade Accounts Payables	**1,011,179**	**799,811**
IV. Current Tax Liabilities	**92,455**	**43,126**
V. Derivative Financial Instruments	**30,843**	**17,152**
VI. Provisions for Other Liabilities and Expenses	**2,461**	**782**
Total Current Liabilities	**1,624,633**	**1,100,287**
Total Shareholder's Equity and Liabilities	**3,322,724**	**2,490,723**

b) Consolidated Income Statement for the 2005 and 2004 Financial Years

Consolidated Income Statement of Abengoa for the Years ended December 31, 2005 and 2004

- Figures in thousands of euros -

		31/12/2005	31/12/2004
	Net turnover	2,023,515	1,746,052
	Variation in inventories	(817)	25,067
	Other operating income	35,704	19,534
	Materials consumed	(1,162,857)	(1,060,682)
	Personnel expenses	(325,908)	(274,087)
	Depreciation and amortization expense	(52,906)	(52,787)
	Research and development costs	(18,305)	(15,220)
	Other operating expenses	(334,975)	(260,526)
	Other net income/expenses		
I.	**Net Operating Profit**	**163,451**	**127,351**
	Financial income	22,709	3,140
	Financial expenses	(70,409)	(63,713)
	Net Exchange Differences	(1,695)	(6,496)
	Other net financial income/expenses	(9,362)	(11,225)
II.	**Net Financial Loss**	**(58,757)**	**(78,294)**
III.	**Participation in Profits/(Losses) of Associate Companies**	**5,359**	**3,634**
IV.	**Consolidated Profit before Tax**	**110,053**	**52,691**
	Corporate income tax	(31,572)	7,508
V.	**Consolidated Profit after-Tax**	**78,481**	**60,199**
	Profit attributable to minority interests	(12,477)	(7,812)
VI.	**Profit for the Year attributable to the Parent Company**	**66,004**	**52,387**
	Number of ordinary shares in circulation (thousands)	90,470	90,470
VII.	**Earnings per Share for the Year's Result**	**0.73**	**0.58**

c) Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity of Abengoa for the Year ended December 31, 2005 and 2004

- Figures in thousands of euros -

	Share Capital	Reserves Parent Company and Other Reserves	Accumulated Translation Difference	Accumulated Earnings	Minority Interest	Total
A. Balance at 1 January 2004	**22,617**	**229,333**	**(17,227)**	**48,540**	**36,140**	**319,403**
I. Gross Earnings at fair value:						
Financial assets available for sale	0	(2,475)	0	0	0	(2,475)
	0	**(2,475)**	**0**	**0**	**0**	**(2,475)**
II. Gains/Losses on cash flow hedges	**0**	**(15,778)**	**0**	**0**	**0**	**(15,778)**
III. Translation differences	**0**	**0**	**(9,675)**	**0**	**0**	**(9,675)**
IV. Gross Income/Expenses recognised directly in Equity	**0**	**(18,253)**	**(9,675)**	**0**	**0**	**(27,928)**
Tax effect	0	6,811	0	0	0	6,811
V. Net Income/Expenses recognised directly in Equity	**0**	**(11,442)**	**(9,675)**	**0**	**0**	**(21,117)**
VI. Profit for the year	**0**	**0**	**0**	**52,387**	**7,876**	**60,263**
VII. Employee Stock Plan	**0**	**(2,654)**	**0**	**0**	**0**	**(2,654)**
VIII. Distribution of 2003 Profit	**0**	**674**	**0**	**(12,666)**	**0**	**(11,992)**
IX. Other Movements of Equity	**0**	**0**	**0**	**4,190**	**65,051**	**69,241**
B. Balance at 31 December 2004	**22,617**	**215,911**	**(26,902)**	**92,451**	**109,067**	**413,144**
C. Balance at 1 January 2005	**22,617**	**215,911**	**(26,902)**	**92,451**	**109,067**	**413,144**
I. Gross Earnings at fair value:						
Financial assets available for sale	**0**	**126**	**0**	**0**	**0**	**126**
	0	**126**	**0**	**0**	**0**	**126**
II. Gains/Losses on cash flow hedge	**0**	**(20,452)**	**0**	**0**	**0**	**(20,452)**
III. Translation differences	**0**	**0**	**54,357**	**0**	**0**	**54,357**
IV. Gross Income/Expenses recognised directly in Equity	**0**	**(20,326)**	**54,357**	**0**	**0**	**34,031**
Tax effect	0	7,115	0	0	0	7,115
V. Net Income/Expenses recognised directly in Equity	**0**	**(13,211)**	**54,357**	**0**	**0**	**41,146**
VI. Profit for the year	**0**	**0**	**0**	**66,004**	**12,477**	**78,481**
VII. Employee Stock Plan	**0**	**3,301**	**0**	**0**	**0**	**3,301**
VIII. Distribution of 2004 Profit	**0**	**319**	**0**	**(12,984)**	**0**	**(12,665)**
IX. OtherMovements of Equity	**0**	**0**	**0**	**(6,767)**	**9,551**	**2,784**
D. Balance at 31 December 2005	**22,617**	**206,320**	**27,455**	**138,704**	**131,095**	**526,191**

d) Consolidated Cash Flow Statement

Consolidated Cash Flow Statement of Abengoa for the Years ended December 31, 2005 and 2004

- Figures in thousands of euros -

	31/12/2005	31/12/2004
A. Cash Flows of Operating Activities		
I. Cash generated by operations		
Consolidated profit after-tax	78,481	60,199
Adjustments to the profit:		
Amortisations and provisions	46,324	52,787
Taxes	31,572	(7,508)
Profit/loss through sale of tangible assets	6,627	(5,538)
Profit/loss through sale of shares	(8,170)	105
Result in investments available for sale	(126)	4,205
Results of financial assets at fair value	(17,353)	5,413
Results of secondary financial documents	500	5,267
Shares in profits/losses of associate companies	(5,358)	(3,634)
Other non-monetary items	7,796	(3,893)
	140,293	**107,403**
II. Variations in working capital		
Inventories	(130,123)	25,678
Clients and other collectable accounts	(46,699)	15,931
Suppliers and other payable accounts	279,415	(12,288)
Other circulating assets/liabilities	(43,798)	(126,528)
	58,795	**(97,207)**
Net Cash Flows from Operating Activities	**199,088**	**10,196**
B. CashFlows from Investment Activities		
I. Investments		
Companies in the group, multigroup and associate companies	(6,467)	(6,142)
Tangible fixed assets	(292,473)	(178,415)
Intangible assets	(212,314)	(18,497)
Other assets	(33,061)	(11,945)
Translation difference and perimeter variation effect	0	0
	(544,315)	**(214,999)**
II. Disinvestments		
Companies in the group, multigroup and associate companies	0	0
Tangible fixed assets	26,918	26,739
Intangible assets	41,403	235
Other assets	10,752	0
Translation difference and perimeter variation effect	9,551	65,064
	88,624	**92,038**
Net Cash Flows from Investment Activities	**(455,691)**	**(122,961)**
C. Cash Flows from Finance Activities		
Income from outside resources	624,497	128,214
Repayment from outside resources	(171,689)	(14,709)
Dividends paid	(12,984)	(12,666)
Other finance activities	0	0
Net Cash Flows from Finance Activities	**439,824**	**100,839**
Net Increase/Decrease of Cash and Equivalents	**183,221**	**(11,926)**
Cash or equivalent at the beginning of the year	252,145	264,471
Cash in Banks at the Close of the Year	**435,366**	**252,545**

e) Notes to the Consolidated Financial Statements for the 2005 Financial Year

Notes to the Consolidated Financial Statements for the Financial Year Ended at 31 December 2005

Note 1. General Information.

Abengoa, S.A. is an industrial and technology Company which, at the end of the 2005 financial year, held a group (hereinafter called Abengoa or group, without distinction) comprising 233 companies: the parent Company itself, 200 subsidiary companies, 30 associate companies and 2 Joint Ventures. Moreover, the various companies in the group take part in 252 Temporary Consortiums. In addition, the group companies hold interests of less than 20% in other companies.

Abengoa, S.A., the parent company in the group, was founded in Seville on 4 January 1941 as a limited partnership and was subsequently transformed into a corporation on 20 March 1952. It is registered in the Mercantile Register of Seville, initially on page 2921, folio 107 of volume 47 of Corporations and currently, since the latest adaptation and amendment of the articles of association as a result of the coming into force of the revised Public Limited Companies Act, in volume 573, book 362 of section 3 of Corporations, folio 94, page SE-1507, entry 296. The company´s current registered office is located in Seville, at Avenida de la Buhaira, 2.

The corporate purpose is laid down in article 3 of the articles of association. Within the varied range of activities that make up the corporate objects, as an applied engineering and equipment company, Abengoa provides comprehensive solutions in the energy, telecommunications, transport, water, environment, industry and services sectors.

Abengoa is a technology company that applies innovative solutions for sustainable development in the infrastructures, environment and energy sectors. It operates in over 70 countries.

Until 2005, Abengoa operated through four business groups. However, as from 2006, once the activity related to solar energy is considered sufficiently developed to form a business group, five business groups will be given consideration, whose activities are as follows:

- Solar:

  The main company is Solucar Energía and its activity focuses on the design, development, financing, construction and operation of electrical power generation plants, using the sun as a primary source of energy. It has the know-how and technology to operate thermoelectric solar plants: central receiver systems, parabolic cylinder collector and parabolic disk, as well as photovoltaic solar plants with and without concentration.

- Bioenergy:

  The main company is Abengoa Bioenergía, which engages in the production and development of biofuels for transport, including bioethanol and biodiesel, among others, which use biomass as a raw material (cereals, cellulose biomass, oilseed). Biofuels are used in the production of ETBE (a petrol additive) or in direct mixtures with petrol or diesel. As renewable energy sources, biofuels reduce CO2 emissions and contribute to the safety and diversification of the energy supply, reducing the dependence on the fossil fuels used in the car industry and helping to comply with the Kyoto protocol.

- Environmental Services:

  Befesa Medio Ambiente, the main company in Abengoa's environmental services, focuses its activity on environmental services for industry, on the construction of infrastructures, recycling aluminium waste, zinc, handling industrial waste and on environmental engineering.

- Information Technologies:

  Telvent, the main company in Abengoa's information technologies business, provides high value-added solutions in four industrial sectors (energy, traffic, transport and the environment). Its technology enables companies to take business decisions in real-time using data acquisition and control systems, as well as advanced operational applications that provide information that is secure and effective for enterprises.

- Industrial Construction and Engineering:

  Abeinsa is the company in Abengoa which leads this business group, whose activity is the engineering, construction and maintenance of electrical, mechanical and instrumentation infrastructures for the energy, industry, transport and services sectors. Development, construction and operation of industrial plants and conventional (cogeneration and combined cycle) and renewable (bioethanol, biodiesel, biomass, solar wind and geothermic) power plants, telecommunications turnkey projects and networks.

As the solar activity has been designated a business group, the information mechanisms required for that activity to be a differentiated line of business have been laid down, although, at the moment, no separate figures have been included in Note 6 due to the fact that none of the operating units have yet entered services.

For the preparation of the consolidated Financial statements, a group is understood to exist when the parent company has one or more subsidiary companies over which it exercises direct or indirect control. The principles applied during the preparation of the consolidated financial statements of Abengoa, together with the consolidation perimeter are listed in Note 2.2.

Annexes I and VI to these notes contain a breakdown of the identification data of the 200 and 195 subsidiary companies included in the consolidation perimeter in the 2005 and 2004 financial years, respectively, using the full consolidation method.

Annexes II and VII to these notes contain a breakdown of the identification data of the 30 and 29 associate companies included in the consolidation perimeter in the 2005 and 2004 financial years, respectively, using the equity method.

Annexes III and VIII to these notes contain a breakdown of the identification data of the 134 and 133 Joint Ventures included in the consolidation perimeter in the 2005 and 2004 financial years, respectively, using the proportional consolidation method.

Note 2. Summary of Significant Accounting Policies.

The following is a description of the significant accounting policies applied during the preparation of these consolidated financial statements.

2.1. Basis of Presentation.

The consolidated financial statements at 31 December 2005 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for use in the European Union and approved by the regulations of the European commission and in force at 31 December 2005. These are the first consolidated financial statements to be presented in accordance with said standards (See Note 5).

Unless indicated otherwise, the following policies have been applied constantly to all the financial years included in these consolidated financial statements.

Up to the financial year ending on 31 December 2004, inclusive, the consolidated financial statements were prepared in accordance with the provisions laid down in current mercantile legislation and with the standards laid down in the General Accounting Plan and in Royal Decree 1815/1991, which adopt the standards for the preparation of consolidated financial statements (Generally Accepted Accounting Principles (GAAP)) Given that these standards differ in certain areas from the criteria laid down in IFRS, Abengoa's management has restated the figures for 2004 in order to present comparative information in accordance with IFRS.

The consolidated financial statements under the historic cost convention, modified by the restatement of certain assets in accordance with IFRS1 (Note 5) and by the cases laid down by the IFRS in which certain assets, are valued at their fair value.

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise its judgment in the process of applying the accounting policies of Abengoa. Note 4 shows the areas that involve a higher level of judgment or complexity or the areas where the hypotheses and estimates are significant for the consolidated financial statements.

The figures contained in the instruments that make up the consolidated financial statements (balance sheet, income statement, statement of changes in equity, statement of cash flows and these notes) are given in thousands of €.

Unless indicated otherwise, the percentage of the holding in the share capital of the companies includes both the direct and indirect holding corresponding to the companies in the group that are direct shareholders and not the total holding of the parent company.

2.2. Consolidation Principles.

a) Subsidiary companies.

Subsidiary companies are all the companies over which Abengoa has the power to direct the financial and operating policies that are usually accompanied by a holding with more than half the voting rights. When evaluating whether or not the group controls another company, consideration is given to the existence and effect of the potential voting rights that may be currently exercised or converted, together with possible pacts with other shareholders. The subsidiary companies are consolidated from the date on which control is transferred to the group and are excluded from the consolidation on the date on which such control ceases to exist.

Subsidiary companies are accounted for using the acquisition method. The acquisition cost is the fair value of the assets delivered, of the receivables issued and the payables due or assumed on the date of exchange, plus the costs directly attributable to the acquisition. The identifiable assets acquired and the identifiable contingencies and liabilities assumed in a combination of businesses are initially valued at their fair value on the date of acquisition, regardless of the scope of minority interests. The excess of the acquisition cost over the fair value of Abengoa's holding in the identifiable net assets acquired is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets of the acquired subsidiary company, the difference is recognised directly in the income statment.

The results of internal operations are eliminated and deferred until they have been carried out with regard to third parties outside the group.

The reciprocal receivables and payables between group companies included in the consolidation perimeter are eliminated in the consolidation process.

With a view to presenting the different sections of these consolidated financial statements consistently, the valuation standards and principles followed by the parent company have been applied to all the companies included in consolidation.

Annexes I and VI to this report identify the 20 and 25 companies/entities which in the 2005 and 2004 financial years, respectively, were included in the consolidation perimeter and have been consolidated using the full consolidation method.

The inclusion in the perimeter of the aforementioned companies has not significantly affected the global consolidated figures as of December 2004 or December 2005.

The following is a list of the company/entities which, during the 2004 and 2005 financial years, left the consolidation perimeter (full consolidation):

Company Name	Year of exit	% Holding	Reason
Abensur Medio Ambiente, S.A.	2004	100.0	Merged with Befesa CTA, S.A.
Ecomat Fabricación de Equipos, S.L.	2004	100.0	Sale of the company
Inabensa Inc.	2004	100.0	Wind up of the company
Internet Recicla, S.A	2004	100.0	Wind up of the company
L.T. 304 Noroeste, S.A. de C.V.	2004	100.0	Wind up of the company
Negocios e Inversiones de Centroamérica, S.A. (Nica)	2004	100.0	Wind up of the company
Nueva Electricidad del Gas, S.A. (Nuelgas)	2004	98.6	Sale of the company
Sdem Inabensa, S.A.	2004	50.0	Wind up of the company
Sinaben Multimedia, AIE	2004	50.0	Wind up of the company
Telvent Datahouse, S.A.	2004	100.0	Merged with Telvent Housing, S.A.
Teytel, S.A.	2004	100.0	Sale of the company
Abengoa Limited	2005	100.0	Wind up of the company
ABP Holding	2005	99.9	Wind up of the company
ALA Transmissora de Energía Ltda.	2005	100.0	Wind up of the company
Baltasar Lobato	2005	50.0	Wind up of the company
Ciclafarma	2005	100.0	Wind up of the company
Desarrollos Eólicos de Arico, S.A.	2005	66.7	Wind up of the company
ICX Sistemas, S.A.	2005	100.0	Merged with Telvent Interactiva, S.A.
Proyectos Técnicos Industriales, S.A. (Protisa)	2005	100.0	Merged with Inabensa
Subestaciones Baja California Sur, S.A. de C.V.	2005	50.0	Wind up of the company

The contribution in terms of sales and results by sold companies no longer included in the consolidation perimeter for the consolidated results in the 2005 fiscal year is not significant (in 2004, € 2,519 and € 2,635 thousands respectively).

b) Associate companies.

Associate companies are all the companies over which Abengoa has a significant influence but not control, usually accompanied by a holding of between 20% and 50% of the voting rights. Investments in associate companies are recorded using the equity method and are initially recognised at cost. The group's investment in associate companies includes the goodwill (net of any accumulated loss from deterioration) identified in the acquisition.

The share in income statement after the acquisition of the associate companies is recognised in the income statment and their participation in subsequent movements is recognised in reserves. The accumulated movements subsequent to the acquisition are adjusted against the book value of the investment. When the share in the losses of an associate company is equal to or higher than the holding itself, including any other uninsured accounts receivable, additional losses are not recognised unless there have been obligations or payments assumed or made on behalf of the associate company.

The profits not derived from transactions between the group and its associate companies are eliminated in accordance with the percentage of the group's holding in the associate companies. Unrealised losses are also eliminated unless the transaction provides evidence of loss through the imparment of the assets being transferred. When necessary to ensure consistency with the policies adopted by the group, the accounting policies of the associate companies are modified.

Annexes II and VII to this report identify the 7 and 6 Companies / Entities which in the 2005 and 2004 financial years, respectively, were incorporated into the consolidation perimeter and have been consolidated using the equity method.

The following is a list of the companies/entities which, during the 2005 and 2004 financial years, left the consolidation perimeter (equity method):

Company Name	**Year of exit**	**% Holding**	**Reason**
Dragados Indust.-Electric Trafic-Indra-S.Tráfico, AIE	2004	22.8	Change of consolidation method
Nap de las Américas – Madrid, S.A.	2004	20.0	Sale of the company
Tuca, AIE	2004	50.0	Wind up of the company
Conservación y Desarrollo Sostenible, S.A.	2005	40.0	Sale of the company
Krasbilmet	2005	32.0	Wind up of the company
Línea de Transmisión de Comahue, S.A.	2005	22.5	Wind up of the company
Mogabar, S.A.	2005	48.0	Wind up of the company
Progresia C.L.M., S.L.	2005	33.3	Sale of the company
Viryanet, Ltd.	2005	20.0	Sale of the company

Without significant effects on the results regarding the consolidated figures for the 2004 and 2005 financial years.

c) Joint business.

Holdings in joint businesses are integrated using the proportional consolidation method.

The group combines its holding in the assets, liabilities, income and expenses and cash flows of the controlled entity line by line in conjunction with the items of its accounts that are similar.

Participation in the profits or losses from the sales of the group's assets to the controlled companies is recognised jointly by the part corresponding to other participants However, the holding in the profits or losses of the jointly controlled company resulting from the purchase by a group company of assets of the jointly controlled company is not recognised until the said assets are sold to an independent third party. A loss in the transaction is recognised immediately if it reveals the equity of the current assets or a loss through a decline in value. The accounting policies of the jointly controlled companies have been modified as necessary to ensure consistency with the policies applied by the group.

d) Joint Ventures.

A Joint-Venture is a system of collaboration between enterprises for a certain determined or undetermined period of time for the development or execution of works, services or supplies.

The proportional part of the items on the balance sheet and the income statement account of the joint-venture are integrated into the balance sheet and income statement account in accordance with the shareholding percentage.

The amount of the operating funds provided by the companies of the Group to the 118 Joint Ventures excluded from the consolidation perimeter totals € 157 thousands (€ 243 thousands in 2004) and is included in the Financial Investments heading of the consolidated balance sheet. The net business figure proportional to the shareholding represents 0.53% (0.45% in 2004) of the consolidated net business figure. The aggregate net profits proportional to the shareholding total € 309 thousands (€ 64 thousands in 2004).

During the financial year, 35 Joint Ventures that have begun their activity and/or been involved in significant activity during the year 2005 have been incorporated into the perimeter. These Joint Ventures have contributed € 37,018 thousands (€ 12,530 thousands in 2004) to the consolidated net business figure for the year.

During the financial year, 34 Joint Ventures have left the perimeter due to their ceasing activities or their activities becoming insignificant. Their net business figures, proportional to the shareholding, for the 2004 financial year totalled € 6,465 thousands (€ 22,474 thousands in 2003).

2.3. Financial information by segments.

A business segment is a group of assets and transactions responsible for supplying products or services subject to risks and performance levels different to those of other business segments. A geographical segment is responsible for providing products or services within a specific economic environment subject to risks and performance levels different to those of other segments that operate in other economic environments (See Note 6).

The economic transactions are completed between the different segments at market price.

2.4. Transactions in foreign currencies.

a) Functional currency.

The items included in the financial statements of each of the companies in the group are valued using the currency of the main economic environment in which the company operates (functional currency).

b) Transactions and balances.

Transactions in foreign currencies are converted into the functional currency using the rates of exchange current on the dates of the transactions. The income statement in foreign currency resulting from the liquidation of these transactions and the translation at the closing exchange rate of the monetary assets and liabilities designated in foreign currency are recognised in the income statment, unless they are different in the equity, such as the qualified cash flow covers and the qualified net investments covers.

c) Translation of the financial statements in foreign currencies of companies abroad.

The results and financial situation of all the companies in the group with a functional currency different to the presentation currency are translated into the presentation currency as follows:

1) All the assets, rights and liabilities are translated into the presentation currency using the exchange rate current on the date on which the accounts of the companies are closed.

2) The items of the statement of operations of each foreign company are translated into the presentation currency using the annual average exchange rate calculated as the arithmetical average of the closing exchange rates of each of the 12 months of the year.

3) The difference between the amount corresponding to the equity of the foreign company, including the balance of the income statement account calculated in accordance with section 2) above, translated at the historic exchange rate, the equity resulting from the translation of the assets, rights and obligations in accordance with section 1) above, are recorded, as positive or negative, as applicable, in the equity of the consolidated balance sheet under the heading titled Accumulated Translation Difference.

The results of the companies to which the equivalence procedure applies are translated to national currency, where applicable, at the average exchange rate for the year, calculated as per section 2) of this point c).

The adjustments to the goodwill and to the fair value that arise in the takeover of a foreign company are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate.

2.5. Tangible fixed assets.

In accordance with the IFRS 1, with regard to the transition to the IFRS, the amortised cost of the tangible fixed assets at 31 December 2003 has been taken as the book value of the fixed assets in accordance with Spanish standards as a result of the management of Abengoa assuming the fact that the revaluations of assets that have taken place in accordance with the regulations in force in the countries in which the companies belonging to Abengoa reflect their market value in a more approximate way. In addition, in accordance with the aforementioned standard, certain elements of fixed assets have been revalued (basically land and buildings) as explained in Note 5.2.

As a general criterion, the elements that make up the tangible fixed assets are recognised by their cost less the depreciation of the corresponding accumulated losses through impairment, except in the case of land, which is presented at the net value of the said losses through impairment.

The expenses are directly attributable to the acquisition of the items.

The subsequent costs are included in the book amount corresponding to the assets or are recognised as a separate asset only when it is probable that the future economic profits associated with the elements will flow to the group and the cost element can be reliably determined. The other repairs and maintenance are charged to the income statement during the corresponding financial year.

The work carried out by the company for its fixed assets are valued at their production cost, entered as ordinary income in the income statement account.

The annual depreciation coefficients used to calculate the depreciation of the elements that make up the tangible fixed assets are as follows:

Elements	**Coefficient**
Buildings	2% - 3%
Installations	4% - 12% - 20%
Machinery	12%
Tools and tooling	15% - 30%
Furniture	10% - 15%
Works equipment	30%
Equipment for information processing	25%
Vehicles	8% - 20%

The residual value and the service life of the assets are reviewed and, where applicable, adjusted on the closing date of the companies' accounts.

When the book amount of an asset is higher than its estimated recoverable amount, its value is reduced immediately to the recoverable amount.

The income statement for the sale of tangible fixed assets are calculated by comparing the income obtained with the book amount and are included in the income statement. When the revalued assets are sold, the amounts included in revaluation reserve funds are transferred to reserves from accumulated profits. In accordance with the conditions of the transition (See Note 5) and the criteria used by the company, for the transactions subsequent to 1 January 2004, there are no assets that require the classification of revalued assets for the purposes of the IFRS.

The cost can also include profit or loss from qualified cash flow covers from the acquisitions of tangible fixed assets in foreign currency transferred from the equity.

In addition, in accordance with their functionality, certain assets (safety deposits for waste) are amortised in accordance with the volume of waste entering the installations. Given that there is also the obligation to meet certain costs related to the closure of the installations, the corresponding funds are provided annually in accordance with the aforementioned volume of waste.

2.6. Intangible assets.

a) Goodwill.

The goodwill represents the excess of the acquisition cost over the fair value of the group's shareholding in the identifiable net assets of the subsidiary/associate company acquired on the date of acquisition. The goodwill related to the acquisitions of subsidiary companies is included in intangible assets. The goodwill related to the acquisitions of associate companies is included in investments in associate companies. Goodwill is verified annually for impairment losses and is taken to cost less accumulated impairment losses. The profit or loss for the sale of an entity includes the book amount of the goodwill related to the sold entity.

In order to include these amounts in the verifications of impairment losses, the goodwill is allocated to the cash generation units (CGU).

b) Computer software.

The licences for computer software acquired are capitalised based on acquisition cost and the cost of preparation for the use of the specific programme. These costs are amortised over their estimated useful lives, normally five years. The maintenance expenses of these computer programs are directly attributed as expenses in the corresponding financial year.

c) Research and development.

Research expenses are recognised as expenses corresponding to the financial year in which they occur, where there is an individualised list of each specific project. The expenses corresponding to development projects (related to the design and testing of new or improved products) are recognised as intangible assets when there is a probability of the project being a success with regard to its technical and commercial viability and its costs can be reliably estimated. The other development expenses are recognised as expenses corresponding to the financial year in which they occur. The development expenses previously recognised as an expense are not recognised as an asset in subsequent financial years. Development expenses with a finite service life which are capitalised are amortised from the beginning of the commercial production of the product in on a straight-line basis during the period in which they are expected to generate profit.

Grants or subsidised loans for financing research and development projects are released to profit and loss in accordance with similar treatment and degree of completion rates with which they are capitalised or classified as operating expenses, in accordance with pre-established rules.

2.7. Interest expense.

Interest expense incurred in the construction of any qualifying asset are capitalised during the period required to complete and prepare the asset for the appropriate use. Other interest expenses are recorded as expenses for the financial year in which they are incurred.

The costs corresponding to no-recourse factoring transactions, when the book entries involve the de-recognition of factorised financial assets, are applied as expenses at the moment of the transfer to the bank.

2.8. Asset impairment losses.

At the date of the end of each financial year, Abengoa reviews the non-current assets to determine whether or not there are indications of their having suffered any impairment loss. If there is any such indication, the recoverable amount of the asset is calculated in order to determine the scope of the impairment loss (where applicable). Should the asset not generate cash flows independent from other assets, Abengoa calculates the recoverable amount of the cash generation unit to which the asset belongs.

In addition, at the year end the possible impairment of goodwill and intangible assets that have not yet come into operation or have an undefined service life is analysed, where applicable.

The recoverable amount is the higher of market value less selling costs and current use value, this being the present value of estimated future cash flows. To calculate the current use value, the hypotheses used include discount rates, growth rates and expected changes in selling prices and costs. The directors estimate the pre-tax discount rates that include the value of money over time and the risks associated with the cash generation unit. The growth rates and variations in prices and costs are based on internal and sector forecasts and experience and future expectations, respectively

Should the recoverable amount be lower than the net book value of the assets, the corresponding impairment loss is charged to the Depreciation and provisions heading in the consolidated income statement. The impairment losses recognised in an asset in previous financial years are reversed and charged to this heading when there was a change in the estimates of the recoverable amount, increasing the value of the asset up to the limit of the book value the asset would have had if thewrite-down had not been applied, except in the case of write-down of goodwill, which is not reversible.

.

2.9. Financial investments.

Financial investments are classified in the following categories: a) financial assets at fair value with changes in results, b) loans and accounts receivable, c) investments where the intention is for them to be held to maturity and d) financial assets available for sale. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at the moment of initial recognition and reviews the classification at the year end.

a) Financial assets at fair value with changes in results.

This category includes the financial assets acquired for trading and those recorded at fair value with changes in results at the beginning. A financial asset is classified in this category if it is acquired mainly for the purpose of sale in the short term or if it is so designated by management. Financial derivates are also classified as acquired for trading unless they are regarded as hedges. The assets of this category are classified as current assets if they are held for trading or they are expected to be realisedin the 12 months after the closing date of the accounts of each company.

b) Loans and accounts receivable.

This category includes the loans and accounts receivable considered as non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They arise when a group company supplies money, assets or services directly to a debtor without the intention of negotiating with the account receivable. They are included in current assets except for maturities of over 12 months from the date of the balance sheet, which are classified as non-current assets. The loans and accounts receivable are included under Trade debtors and other accounts receivable on the assets side of the balance sheet.

c) Investments held to maturity.

This category includes the investments where the intention is for them to be held until maturity and which correspond to non-derivative financial assets with fixed or determinable payments and fixed maturities for which the group's management has the positive intention and capacity for holding them to maturity.

d) Financial assets available for sale.

This category includes the financial assets not considered as derivatives that are available for sale and not included in any of the other categories. They are included in non-current assets unless management wishes to sell the investment in the 12 months following the closing date of the accounts of each company.

The acquisitions and sales of investments are recognised on the trading date, i.e. the date on which the acquisition or sale of the asset takes place. The investments are initially recognised at the fair value plus the costs of the transaction for all the financial assets not recognised at their fair value with changes in results. The investments are written off when the rights to receive cash flows from the investments have expired or have been transferred and all the risks and benefits resulting from their ownership have been substantially transferred.

Financial assets available for sale and the financial assets at fair value with changes in results are subsequently recorded into the books at their fair value. The accounts receivable and loans and investments where the intention is to hold them until their maturity recorded at their amortised cost in accordance with the effective interest rate method.

Realised and unrealised gains and losses resulting from changes in the fair value of the category of financial assets at fair value with changes in results are included in the income statement for the financial year in which they occur.

Unrealised gains or losses resulting from changes in the fair value of non-monetary securities classified as available for sale are recognised in shareholders' equity. When the securities classified as available for sale are sold or impaired, the adjustments accumulated in fair value are included in the income statement as gains or losses on securities.

The fair values of the listed investments are based on current purchase prices. If the market for a financial asset is not a two-way market (and for the securities that are not listed), the fair value is established by using valuation techniques that include the use of recent free transactions between interested and duly informed parties, referring to other substantially equal instruments, the analysis of discounted cash flows and price setting models for improved options to reflect the specific circumstances of the issuer.

On the date of each close of the balance sheet, the objective evidence of a financial asset or a group of financial assets having suffered impairment losses is assessed.

In the case of capital securities classified as available for sale, to determine whether or not the securities have suffered impairment losses, consideration shall be given to the possibility of a significant or prolonged fall in the fair value of the securities below their cost. If there is any evidence of this type for the financial assets available for sale, the accumulated loss, determined as the difference between the acquisition cost and the current fair value less whatsoever loss through impairment of the value in the said financial assets previously recognised in the profits or losses, is eliminated from the equity and recognised in the income statement. The impairment losses recognised in the income statement by equity items are not reversed through the income statement.

2.10. Inventories.

Inventories are valued at the lower of cost and net realisable value. Cost is determined by the first-in-first-out (FIFO) method. The cost of the finished products and work in progress include design costs, raw materials, direct labour costs, other direct costs and manufacturing overheads (based on a normal operating capacity), but it does not include interest expenses. Net realisable value is the estimated selling price in the normal coures of business less the applicable variable selling costs.

Cost of the inventories includes transfers from equity of gains or losses arising from cash flow hedging transactions related to inventory sale and purchase transactions.

Cost of inventories includes the transfers from the equity of gains or losses arising from cash flow hedging transactions related to operations in foreign currency.

Inventories include the accumulated amount of progress billings in accordance with the accounting criterion mentioned in Note 2.19.

2.11. Trade accounts receivable.

Trade accounts receivable are initially recognised atfair value and subsequently at their written-down cost in accordance with the effective interest rate method, less the provision for impairment losses. A provision is established for impairment losses of trade receivables when there is objective evidence of the group being incapable of collecting all the amounts owed in accordance with the original terms of the accounts receivable. The amount of the provision is the difference between the book amount of the assets and the value of the estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.12. Cash and cash equivalents.

Cash and cash equivalents include the cash amount, the deposits on demand in credit institutions, other short-term investments wtih high liquidity with an original maturity of three months or less and bank overdrafts. On the balance sheet, bank overdrafts are classified as borrowings under current liabilities.

2.13. Parent company shares.

Parent company shares are classified as equity. No shares of this kind have been held during the financial year.

2.14. Grants.

Outright grants are recognised at their fair value when it is considered that there is a reasonable certainty of the grant being collected and that the conditions laid down by the competent body when the subsidies were awarded will be fulfilled.

Operating grants are deferred and recognised in the income statement during the requisite periods to match them with the relevant expenses.

Capital grants are recorded as a decrease in the value of the subsidised assets and released to the income statement on a straight-line basis during the expected service lives of the corresponding assets.

2.15. Borrowings.

Borrowings are initially recognised at their fair value, net of the costs of the transaction. Subsequently, they are valued at their amortised cost; whatsoever difference between the funds obtained (net of the related costs) and the repayment value is recognised in the income statement during the life of the debt in accordance with the effective interest rate method.

Borrowings are classified as current liabilities unless there is an unconditional right to defer their repayment for at least 12 months after the year end.

2.16. Deferred taxes.

Deferred taxes are calculated in accordance with the balance sheet method on the temporary differences between the taxable bases of the assets and liabilities and their book values in the consolidated financial statements. However, if the deferred taxes arise from the initial recognition of a liability or an asset in a transaction other than a business combination and which, at the time of the transaction, does not affect either book results or taxable income, said deferred taxes are not recorded in the accounts. Deferred tax is determined by using official tax rates or rates that are about to be approved on the closing date of the accounts of each company and which are expected to be applicable when the corresponding deferred tax asset is realised or liability is paid.

The deferred tax assets are recognised to the extent that profits may be expected to be generated in the future which can be used to offset the timing differences.

Deferred taxes are recognised due to the temporary differences arising from investments in subsidiary and associate companies, except when the date on which the temporary differences will reverse can be controlled and there is a probability of them not reversing in the foreseeable future.

2.17. Share-based compensations.

Certain companies in the group have contracted a series of obligations with regard to share-based incentive programmes for executives and employees. The fair value of the employee services received in exchange for the granting of the share is recognised as an expense. The total amount charged to expenses during the accrual period is determined by reference to the fair value of the shares awarded, excluding the effect of the accrual conditions that are not market conditions.

2.18. Provisions.

Provisions are recorded when:

- There is a present obligation, whether legal or implicit, as a result of past events;
- There is a greater probability of the need for an outlay of resources to settle the obligation than the reverse; and
- The amount has been estimated reliably.

When there are a number of similar obligations, the probability of the need for an outgoing flow for the corresponding settlement is determined by considering the type of obligations as a whole. A provision is recognised even if the probability of a cash outlay with regard to any item included in the same class of obligations is low.

2.19. Recognition of income.

a) Ordinary income.

Ordinary income includes the fair value of sales of goods and services supplied without including the amounts corresponding to the taxes applied to these transactions, deducting all the discounts and returns and sales within the group from the amount of the transaction.

Ordinary income is recognised as follows:

- The sale of goods is recognised when a group company has delivered the products to the customer, the customer has accepted them and the collection of the corresponding accounts receivable is reasonably assured.
- The sale of services is recognised in the financial year in which the services are provided, by reference to the finalisation of the specific transaction evaluated on the basis of the real service provided as a percentage of the total service to be provided.
- Income from interest is recognised by using the effective interest rate method. When a collectable account undergoes loss through impairment, the book amount is reduced to its recoverable value, discounting estimated future cash flows at the original effective interest rate of the instrument and the discount is recorded as a reduction in interest income. Income from interest on loans that has undergone loss impairment is recognised when the cash is collected or on the basis of the recovery of the cost when the conditions are guaranteed.
- Dividend income is recognised when the right to receive the payment is established.

b) Building contracts.

When the result of a building contract cannot be estimated reliably, the income from the contract is recognised only up to the limit of the costs of the contract whose recovery is considered probable. With building contracts, the costs are recognised as they are incurred.

When the results of a building contract can be estimated reliably and the contract is probably going to be profitable, the income from the contract is recognised during the term of the contract. When it is probable that the costs of the contract will exceed the total income from the contract, the expected loss is recognised immediately as an expense. To determine the appropriate amount to be recognised in a certain period, the percentage of completion method is used. The level of completion is determined by reference to the costs of the contract at the balance sheet date as a percentage of the total estimated costs for each contract. The costs arising during the financial year in relation to the future activity of a contract are excluded from the costs of the contract to determine the completion percentage. They are presented as inventories, advance payments and other assets, depending on their nature.

The gross amounts owed by customers for the work of all the contracts in progress are presented as assets when the costs plus the recognised profits (less the recognised losses) exceed the amount billed to that date. The amounts yet to be paid by customers and withholdings are included in trade accounts receivable and other accounts receivable.

The gross amounts owed to customers for the work of all the contracts in progress are presented as liabilities when the partial billings exceed the costs plus the recognised profits (less the recognised losses).

c) Integrated products.

Certain projects have materialised through various companies in the Group (See Note 9) in which the company (in association with other companies or exclusively) wins a contract for periods of between 20 and 30 years, including the initial construction period, which can have a maximum duration of two years. These contracts include the construction of the infrastructures and the future services associated with the operation and maintenance of the concessions concerned during concession period (induced business).

These infrastructures are constructed for the account of the concessionary entity and financed with a mid-term loan (in general around 2 years) and then by financing without resource from a bank, which requires the pledge of the shares of the concessionary company, the delegation of the financial rights to collection of payment in favour of the bank and the fulfilment of debt coverage ratios and the subordination of the payment of dividends and interests to shareholders as long as said ratios are fulfilled.

Based on the above comments, each of these projects absorbs, in addition to the of the infrastructure constructions costs, the financial costs corresponding to the financing of the project, which are capitalised until the asset comes into operation (except for delays that could be considered the responsibility of the concessionary company), operating and maintenance costs and the general and administrative costs.

Thesecosts are recovered through the charging by the concessionary entity of an annual fee during the concessionary period which, in certain cases, is maintained in real terms updated by inflation. It is therefore not necessary to create any sinking funds. Where applicable, the updating is annual and is based on the official inflation rate of the country of the currency in which the charge is denominated and the fluctuations of local currency with regard to a currency basket.

The book method followed in this type of project is in keeping with the criteria laid down in the drafts of IFRIC regarding infrastructure works and consists of the following:

1) The profit which may be allocated to the construction phase is recognised in accordance with the degree of completion method, applying values that do not exceed the amounts financed by the associated project finance contracts under any circumstances. The total construction costs are recorded under Intangible fixed assets, are amortised on a straight-line basis over the concession period and are weighted, where applicable, by the reductions forecast in the annual base charges.

2) The annual attribution to the income statement during the concessionary period is carried out as follows:

   - Ordinary income: the updated base charge of each financial year.

   - Operating expenses: operating and maintenance costs, general and administrative costs and the corresponding amortisation charge in accordance with the criterion explained in paragraph a) above.

   - Financial expenses: both the financial expenses obtained and the exchange differences resulting from the fluctuations of the part denominated in foreign currency.

3) For the accounting related to integrated products, the following procedure is followed:

   - Book transfer from tangible fixed assets to intangible fixed assets once the construction phase is over and the assets have entered operation.

   - Interest is capitalised up to entry into service.

   - Intangible fixed assets are amortised in accordance with the straight-line method, weighted, where applicable, by any reductions that may be allowed in the basic annual rates.

   - The charges for each financial year must be considered as operating income in each year.

   - The operating and maintenance costs of each year will be included in costs according to costs occurring (accrual) in each period.

   - At the end of the financial year, each project is analysed to evaluate whether or not it is necessary to recognise impairment due to the non-recovery of the amounts invested.

However, should the licensor of the concession be responsible for paying the services to the operator and should said licensor substantially retain all the demand risks associated with the concession, the construction services are considered as a long term account receivable. The account receivable reduced by the annual charge to be received for this item.

2.20. Leasing.

The leasing of fixed assets in which a group company is the lessee and substantially conserves all the risks and advantages resulting from the ownership of the assets is classified as financial leasing.

Financial leasing is recognised at the beginning of the contract as the lowest fair value of the leased asset and the present value of the minimum payments from the lease. Each lease payment is broken down into the reduction of the debt and the financial charge so that a constant interest rate is obtained on the balance of the debt pending repayment. The payment obligation resulting from the lease, net of the financial charge, is recognised under long term liabilities. The part of the interest of the financial charge is charged to the income statement during the term of the lease in order to obtain a constant regular interest rate on the balance of the debt pending repayment for each period. The fixed assets acquired under financial leasing contracts are depreciated in the shorter of the useful life of the asset and the term of lease.

The leases in which a group company is the lessee and does not conserve a significant part of the risks and advantages resulting from the ownership are classified as operatiing leases. The payments for operatiing leases (net of any incentive received from the lessor) are charged to the income statement on a straight-line base over the term of lease.

2.21. Non-current assets (or disposal groups) held for sale.

Non-current assets (or disposal groups) are classified as assets held for sale and are recognised at the lower of book value and the fair value less selling costs if their book value is recovered mainly through a sale transaction instead of continued use and they are not subject to depreciation.

The Group adopted IFRS 5 early, on 1 January 2004, in accordance with the provisions laid down in the standard. The early adoption of IFRS 5 has led to a change in the accounting policies for non-current assets (or disposal groups) held for sale. The non-current assets (or disposal groups) held for sale are not classified or presented as current liabilities or assets. There is no difference in the valuation of the non-current assets (or disposal groups) held for sale or for continued use.

The application of IFRS 5 did not affect the consolidated financial statements of the previous financial year.

2.22. Dividend payment.

Payments of dividends to the shareholders of the parent company are recognised as a liability in the group's consolidated financial statements during the year in which the dividends are approved by the shareholders of the said company.

2.23. Electrical activities.

The Electricity Sector Act 54/1997 of 27 November and its subsequent developments regulate the various activities aimed at the supply of electricity, consisting of its production or generation, transport, distribution, commercialisation and intra-community and international exchange, as well as the technical and economic management of the electricity system. The said scope of activity also includes the self-producers and special producers regulated by the said act.

Royal Decree 437/1998, of 20 March, which adopts the standards for the adaptation of the General accounting plan to the companies in the electricity sector, including those in the groups mentioned in the above paragraph, lays down the obligation of including certain information in their financial statements. The said obligations are also applicable to the consolidated financial statements of the groups that are involved in one or more electrical activities.

The consolidation perimeter includes certain companies whose activity can be understood as one of those considered above as electrical.

Annexe IV lists the companies and their activities.

Note 9 "Fixed assets and projects" provides a list of the investments made in each activity.

2.24. Environmental assets.

The equipment, installations and systems applied to the elimination, reduction and control of possible environmental impacts are recorded with criteria similar to the fixed assets of a similar nature.

Specific provisions are made for environmental contingencies when, in accordance with a principle of maximum prudence, circumstances so recommend.

2.25. Severance indemnities.

Severance indemnities are paid to employees as a consequence of the company's decision to terminate their employment contracts before the normal retirement age or when employees voluntarily accept redundancy in exchange for the said indemnities. The group recognises these indemnities when it has undertaken, in a way that can be demonstrated, to terminate the employment of current workers in accordance with a formal plan without the possibility of withdrawal or to provide severance indemnities.

2.26. New standards and interpretations IFRSIC.

The IASB has recently adopted and published certain accounting standards, improvements to the current standards, as well as IFRSIC interpretations which came into force after 31 December 2005 and which have not yet been adopted by the European Union. Abengoa has not applied any of these new standards in advance and their application is not expected to give rise to significant effects on the group's financial statements.

Note 3. Financial risk management.

3.1. Financial risk factors.

The activities Abengoa carries out through its five 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 focuses on the uncertainty of financial markets and 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, evaluates and covers 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, interest rate risk, liquidity risk, use of derivatives and non-derivatives and investment of excess liquidity.

a) Market risk.

Abengoa’s companies operate on an international scale and, therefore, are exposed to exchange-rate risks resulting from transactions in foreign currencies (especially the dollar and the euro). The exchange rate risk is the result of future business transactions, recognised liabilities and assets and net investments in transactions abroad.

In order to control the exchange rate risk arising from future business transactions, recognised liabilities and assets, the companies in the group use contracts subject to terms. The exchange-rate risk arises when future transactions, recognised liabilities and assets are denominated in a currency that is not the company's functional currency.

For financial reporting purposes , each subsidiary company designates contracts with the corporate financial department in which the fair value or cash flows are to be hedged, as applicable. In turn, at corporate level, external exchange-rate contracts are applied as hedges for the exchange-rate risk over certain assets, liabilities and future transactions.

Abengoa's risk management policy is to cover the transactions of collections and payments in currencies other than the functional currency scheduled for the following 12 months. Approximately 95% of the sales forecast in each of the currencies other than the functional currency are classified as highly probable scheduled transactions for the purposes of hedge accounting.

b) Credit risk.

Most of the accounts receivable and work in progress correspond to customers located in various 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, with most contracts, the company has the firm commitment of a bank for the purchase, without resources, of the accounts receivable. In these agreements, the company pays the bank for assuming the credit risk, together with an interest and margin for the finance. In all cases, the company assumes the validity of the accounts receivable.

At the end of the financial year, the company has factoring without recourse lines totalling € 1,400 millions approximately.

Financial expenses during the year 2005 resulting from the said factoring transactions totalled € 12,424 thousand. (€ 12,198 thousands in 2004)

c) Liquidity risk.

A careful management of the liquidity risk involves the maintenance of sufficient cash and negotiable securities, the availability of finance by means of a sufficient amount of committed credit facilities and the capacity for liquidating market positions. Given the dynamic character of the underlying businesses, the objective of the group's cash department is to maintain flexibility in finance through the availability of committed lines of credit.

d) Fair value and 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 swaps at variable to fixed interest rate.

3.2. Accounting for derivatives and hedging transactions.

The group's activities expose it fundamentally to financial risks resulting from variations in exchange rates, interest rates and changes in the fair values of certain assets and supplies (mainly zinc, aluminium, grain, ethanol and gas). To cover these exposures to the exchange-rate and to fully or partially hedgethe purchase/sale transactions of physical tonnes of these commodities, Abengoa uses (interest options) future currency contracts and future contracts over the aforementioned commodities. It does not use derivative financial instruments for speculative purposes.

The hedgingderivatives are recognised at the beginning of the contract by their fair value and the said value is subsequently adjusted. The method for recording the resulting profit or loss into the books depends on whether or not the derivative is classed as a hedging instrument and on the nature of the item covered. In accordance with the above, there can be three types of derivatives:

a) Hedgingof the fair value of recognised assets or liabilities or a firm commitment (hedgingof the fair value);

b) Cover for scheduled transactions (hedgingof cash flows);

c) Hedgingof a net investment in transactions abroad.

At the beginning of each transaction, the relation between the hedginginstruments and the items covered is recorded, as well as the object of their risk management and the strategy for carrying out the various hedgingtransactions. Their evaluation is recorded appropriately at the beginning of the hedging and subsequently on an ongoing basis, to ascertain whether or not the derivatives used in the hedging transactions are very effective when offsetting the changes in the fair values or in the cash flows of the goods covered.

Note 12 includes information about the fair values of various derivatives used in hedging transactions. Note 17 shows the movements in the hedge fund included in equity.

a) Cover of the fair value.

The changes in the fair value of the designated derivatives which meet the conditions to be classified as fair value hedging transactions are recognised in the income statement, together with whatsoever change in the fair value of the hedged assets or liability and attributable to the risk covered.

b) Cash flow cover.

The cash part of changes in the fair value of the derivatives designated and which are classified as cash flow covers are recognised in equity. The gain or loss corresponding to the non-cash part is immediately recognised in the income statement.

The amounts accumulated in equity are transferred to the income statement in the financial year in which the hedged item will affect the profit or loss. However, when the hedged scheduled transaction results in the recognition of a non-financial assets or liability, the profit and loss previously deferred in equity are transferred from equity and included in the initial valuation of the cost of the asset or the liability.

When the hedging instrument matures or is sold, or when a hedging transaction no longer meets the requirements for the application of hedging accounting, the profit or loss accumulated in the equity up to that moment will continue to form a part thereof and is recognised when the anticipated transaction is finally recognised in the income statement. However, if the said transaction is no longer probable, the profit or loss accumulated in the equity is immediately transferred to the income statement.

c) Net investment hedging.

At present, there neither is nor has been any net investment hedging in transactions abroad.

For the derivatives that do not meet the criterion for the application of hedge accounting. The changes in the fair value of any derivative not classified for hedge accounting are recognised immediately in the income statement.

3.3. Estimation of the fair value.

The fair value of financial instruments traded on active markets (such as the derivatives with an official price and the investments acquired for trading and those available for sale) is based on market prices at the end of the financial year. The market price used by Abengoa for the financial assets is the current buyer price; the appropriate market price for financial liabilities is the current vendor price.

The fair value of the financial instruments not listed on a two-way market is determined using valuation techniques. The company uses a variety of methods and draws up hypotheses that are based on the market conditions in force on each date on the balance sheet. The market prices for similar instruments are used for the long-term debt. To determine the fair value of the remaining financial instruments, other techniques, such as estimated discounted cash flows, are used. The fair value of the interest rate exchange is calculated as the current value of the estimated future cash flows. The fair value of the exchange rate contracts subject to terms is determined by using the deferred exchange rates on the market on the date of the balance sheet.

The nominal value less the estimated credit adjustments of the collectable and payable accounts is assumed to be near the corresponding fair values. The fair value of the financial liabilities for the presentation of financial information is estimated by discounting the future contractual cash flows at the current market interest rate available for the group for similar financial instruments.

Note 4. Accounting Estimates and Judgements.

In Abengoa's consolidated financial statements corresponding to the 2005 and 2004 financial years, estimates made by the top-level management of the group and the consolidated companies have been used occasionally, subsequently ratified by the corresponding directors, to quantify some of the assets, liabilities, income, expenses and commitments recorded in the said accounts. Basically, these estimates refer to the following:

- Asset impairment losses (See Note 2).
- The service life of the tangible and intangible assets (See Notes 2, 7 and 8).
- The amount of certain provisions (See Note 24).
- The valuation of the goodwill (See Note 7).
- The fair value of certain non-listed assets (See Note 12).
- Tax on profits (See Note 32).

Despite the fact that these estimates were made in accordance with the best information available at the end of each financial year concerning the facts under analysis, future events may require their modification (upwards or downwards) in the coming financial years. This would be carried out in accordance with the provisions laid down in the IAS 8, prospectively recognising the effects of the changed estimation in the corresponding consolidated income statement .

Note 5. Transition to International Financial Reporting Standards (IFRS).

5.1. Basis for transition to IFRS.

5.1.1. Application of IFRS 1.

Abengoa's consolidated financial statements at 31 December 2005 were the first consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

The data of Abengoa's transition to IFRS is 1 January 2004, when the company prepared its opening balance in accordance with IFRS on the said date.

In the preparation of these initial consolidated financial statements in accordance with IFRS 1, the group has applied all the mandatory exceptions and some of the optional exemptions to the retroactive application of IFRS.

5.1.2. Exemptions to retroactive application.

The following is a list of the exemptions to retroactive application which Abengoa has chosen to apply:

a) Business combinations.

The group has opted not to reconstruct business combinations prior to 1 January 2004 by applying IFRS principles and, consequently, the business combinations that took place prior to the said date have not been re-stated.

b) Fair value as an attributed cost.

In accordance with the IFRS 1, with regard to the initial transition to IFRS, attributed cost of the tangible fixed assets at 1 January 2004 has been taken as the book value of the fixed assets in accordance with Spanish standards as a result of the management of Abengoa assuming the fact that the assets restatements that have taken place in accordance with the regulations in force in the countries in which the companies belonging to Abengoa reflect their market value in a more approximate way.

c) Accumulated translation differences.

Abengoa, S.A, has chosen to value the accumulated translation differences prior to 1 January 2004 at zero. This exemption has been applied to all the subsidiary companies in accordance with the provisions laid down in IFRS 1.

Accordingly, the translation differences generated prior to 31 December 2003 have been classified under the heading "Other available reserves" within the equity chapter. Consequently, in the event of the sale of a part-owned company, the income statement would only include the translation differences generated after the aforementioned date.

d) Assets and liabilities of subsidiary, associate and jointly controlled companies.

Shareholdings in joint businesses can be consolidated by proportional consolidation or valued by their equity method using the same criterion for all the shares in joint businesses held by the group. Abengoa maintains the criterion of consolidation through the proportional consolidation method (IAS 31), in accordance with the criterion similar to that previously applied for the purposes of the accounts according to the General accounting plan, of all the shares in companies or businesses in which it holds a control shared with its other shareholders.

e) Clasification of financial assets and financial liabilities.

The group has reclassified various securities as investments available for sale (See Note 12) and as financial assets at a fair value with changes in the results (See Note 11).

f) Share-based payments.

The group has opted to apply the exemption related to share-based payments. The group has applied the IFRS 2, since 1 January 2004, to all the options issued prior to 7 November 2002, but which have not matured at 1 January 2005. The application of this exemption is detailed in Note 5.2.2.

g) Initial valuation of financial assets and liabilities at their fair value.

The group has not applied the exemption considered in the reviewed IAS 39 regarding the initial recognition at fair value with changes in results of financial instruments for which there is not an active two-way market. Therefore, this exemption is not applicable.

5.2. Conciliation between IFRS and local accounting principles (General accounting plan).

5.2.1. Summary of adjustments to equity and profit for 2004.

The following shows the reconciliation between the consolidated equity of Abengoa under the General accounting plan in Spain and the equity resulting from the application of the IFRS on 1 January 2004 and 31 December 2004. It also gives the reconciliation between the consolidated profit of Abengoa for the financial year 2004 under the General accounting plan in Spain and the profit at 31 December 2004 as a result of the application of the IFRS in force on the said date.

	Equity figures at 01/01/2004	**Equity figures at 31/12/2004**	**Profit figures at 31/12/04**
Consolidated amount under the General accounting plan in Spain	**330,782**	**362,611**	**51.784**
Incorporation of the external shareholders heading	**47,093**	**120,064**	**-**
Start-up expenses	(13,510)	(17,078)	2,123
Research and development costs	(41,402)	(36,862)	(1,872)
Restructuring of assets	(61,878)	(61,710)	167
Selective restatement of tangible fixed assets	58,397	58,076	(321)
Goodwill	(20,940)	(4,410)	19,426
Exchange differences and financial instruments	3,727	(26,086)	(16,936)
Valuation of financial investments	17,293	(5,187)	(14,818)
Recognition of income (work in progress)	4,941	6,568	2,743
Stock plans	(939)	(5,510)	(2,453)
Other Adjustments	(8,526)	(5,705)	1,220
Tax effect	14,673	33,726	12,175
Minority interests by adjustments	(10,308)	(5,353)	(851)
Total adjustments	**(58,472)**	**(69,531)**	**603**
Consolidated amount under the IFRS	**319,403**	**413,144**	**52,387**

5.2.2. Explanation of the main differences between the General accounting plan and the IFRS.

As a continuation of the above, the following is an explanation of the main differences between the accounting principles applied to obtain the opening balance sheet at 1 January 2005 under the IFRS and the end of the previous year under the General accounting plan.

- Initial costs: under the General accounting plan, this type of expense was capitalised and amortised on a straight-line basis in a maximum period of five years. In general, under the IFRS, they are recorded as expenses for the year (IAS38).

- R&D expenses: as with the previous case, under the General accounting plan, they could be capitalised and amortised within a maximum term of five years. In general, under the IFRS, the research and development expenses are recorded directly against expenses for the financial year, except in the cases of development expenses that meet certain requirements, which are capitalised and amortised over the corresponding useful life.

- Restructuring of assets: as a consequence of the application of the IFRS, the existence of assets susceptible to restructuring in accordance with the provisions laid down in IAS 36 was determined and they were then restructured.

  To calculate the value for the use of these assets, projected cash flows are used based on financial budgets approved by the directors and covering a period of five years. Constant growth rates and discount rates have been used for the businesses associated with the said assets, pre-tax and including the effect of these specific associated risks.

  The restructured assets are as follows:

	Book value Cost	Use value	Restructuring
- Tangible fixed assets			
Technical installations and machinery	81,540	25,771	55,769
- Accounts receivable and inventories	12,089	5,980	6,109
Total	**93,629**	**31,751**	**61,878**

  The restructured tangible fixed assets correspond to the assets from the subsidiary companies Befesa Salt Slag, Ltd., Aluminio en Discos, S.A., Proyectos Ecológicos Vilches, S.A. and various power cogeneration companies.

Furthermore, at 1 January 2004 and 31 December 2004, the subsidiary Befesa Medio Ambiente had assets totalling €12,089 thousands and €12,808 thousands, respectively, resulting from the agreement signed by the subsidiary Befesa Construcción y Tecnología Ambiental, S.A. for the construction of various mini power stations in operation as from 1999 and 2000. However the company owning the power stations has not yet signed their provisional acceptance and therefore legal actions have been taken in order to obtain the repayment of the debt or the execution of the guarantees in favour of Befesa Construcción y Tecnología Ambiental, S.A. Likewise the corresponding administrative concession for the hydroelectric use of the aforementioned mini power stations is mortgaged in favour of Befesa Construcción y Tecnología Ambiental, S.A. Nevertheless, once the financial forecasts for the corresponding assets have been analysed and in accordance with the provisions laid down in the IAS 36, Grupo Befesa has restructured the said assets and recorded them at their recoverable value in accordance with the aforementioned criteria.

- Selective restatement of tangible fixed assets: in application of the IFRS 1, certain intangible fixed assets have been restated: land and buildings.

  The selective restatement is as follows:

	Book value GAP cost	**Market value**	**Value after revaluation**
Land	3,892	39,145	35,253
Buildings and constructions	13,970	37,114	23,144
Total	**17,862**	**76,259**	**58,397**

  The market value has been obtained from independent expert valuations.

- Goodwill: Abengoa has applied the exemption laid down by the IFRS 1 so as not to recalculate the business combinations prior to 1 January 2004. Furthermore the goodwill in foreign currency has been converted to local currency in accordance with the IFRS 1 and IAS 21 (under the General accounting plan, they were converted at the historic exchange rate). Finally, under the IFRS, the goodwill is no longer amortised although it is subject to an annual impairment test in accordance with the IAS 36.

- Exchange differences and financial instruments: The financial derivatives maintained by Abengoa correspond to interest rate and exchange rate hedging transactions and are carried out to reduce the risks associated with the said transactions. In accordance with the IAS 39, the said transactions are classified as cash flow hedging and the variations in the value of the hedging document are recorded into the books in reserves until the hedge is cancelled, which is when the amount recorded in the books up to the said date in said heading is attributed to the income statement. Furthermore, in accordance with the General accounting plan, the positive exchange differences not liquidated must be deferred in as much as they exceed the negative exchange differences attributed to the results during the period. In accordance with the IFRS, all the exchange differences, whether positive or negative, liquidated or otherwise, are recognised in the income statement.

- Valuation of financial investments: In accordance with the General accounting plan, the financial assets are valued at their acquisition price or at their market value, if the latter were lower, and are removed from the balance sheet when they are sold, transferred or matured. The financial assets are classified in a series of categories that determine their valuation at fair value and strict criteria are established regarding the removal of financial assets from the balance sheet, based on the evaluation of the risks and benefits associated with the ownership of the transferred asset.

- Recognition of income (work in progress): Under the General accounting plan, at Abengoa, the recognition of the margin of work executed was limited by the certificates/bills issued to customers. In accordance with the IAS 11, the result is recognised in accordance with the level of progress to be applied to the work executed at the close.

- Stock plans: Under the IFRS, the liabilities must be recognised by the amount paid to the employee and the personnel expense corresponding to the difference between the price of sale to the employee and the agreed repurchase price must be spread. In the case of listed shares, the spreading of the expense is determined by the list value with regard to that of the initial sale.

- Tax effect: Under the General accounting plan, the time differences showed the different attribution from the tax and accounting point of view of income and expenses. In accordance with the IFRS, the concept of time difference arises, which corresponds to the difference between the book value of an asset or liability and its tax base, where the corresponding advance or deferred tax is generated. Furthermore, the time difference resulting from the tax effect of the adjustments to the consolidated equity of the first application of the IFRS has been calculated.

- On the other hand, the opening balance at on 1 January 2005 incorporates other bills that do not affect the equity and which represent various reclassifications in the assets and liabilities accounts of the balance sheet, such as the following: rights over assets under financial lease (IAS 17); capital subsidies; charges to be spread over several years (financial leasing expenses, debt formalisation, etc); non-existence of extraordinary income and expenses and the consideration of the external shareholder heading as a part of the stockholders' equity.

Note 6. Financial information by segments.

6.1. Information by business segments.

The segments identified to show the information correspond to the four business groups in which Abengoa has operated up to 2005 (See Note 1). The said segments are as follows.

- Bioenergy.
- Environmental services.
- Information Technologies.
- Industrial construction and engineering.

a) The distribution by segments of the consolidated net turnover for the financial years ending at 31 December 2004 and 2005 is as follows:

Segment	Amount at 31/12/05	Amount at 31/12/2004
Bioenergy	392,674	335,203
Environmental services	402,403	357,762
Information Technologies	362,558	281,056
Corporate and industrial construction and engineering	865,880	772,031
Net turnover	2,023,515	1,746,052

b) The contributions to results after tax by segments for the financial years ending at 31 December 2004 and 2005 are as follows:

Segment	Amount at 31/12/05	Amount at 31/12/2004
Bioenergy	12,574	14,620
Environmental services.	17,468	16,182
Information Technologies	13,893	23,234
Corporate and industrial construction and engineering	34,546	6,163
After-tax profits	78,481	60,199

c) The assets and liabilities by segments at 31 December 2004 and 2005 are as follows:

	Bio.	Environ. Services	IT	Ind. Const. and Eng.	Corp. Act. and Adjustments	Total at 31/12/04
Assets						
Tangible Fixed Assets	205,245	144,318	52,837	260,756	(15,312)	647,844
Intangible assets	2,796	5,664	6,071	1,768	495,110	511,409
Financial Investments	12,759	48,980	30,552	98,717	24,357	215,365
Current Assets.	261,914	286,195	248,708	451,796	(132,508)	1,116,105
Total Assets	**482,714**	**485,157**	**338,168**	**813,037**	**371,647**	**2,490,723**
Liabilities						
Equity	132,796	170,131	129,794	101,778	(121,355)	413,144
Non-current Liabilities	177,273	63,891	32,371	211,970	491,787	977,292
Current Liabilities	172,645	251,135	176,003	499,289	(1,215)	1,100,287
Total Liabilities	**482,714**	**485,157**	**338,168**	**813,037**	**371,647**	**2,490,723**

	Bio.	Environ. Services	IT	Ind. Const. and Eng.	Corp. Act. and Adjustments	Total at 31/12/05
Assets						
Tangible fixed assets	259,445	176,073	54,726	323,017	3,694	816,955
Intangible assets	560	5,855	5,924	2,528	741,335	756,202
Financial Investments	3,349	41,192	40,059	58,650	127,816	271,066
Current Assets	409,347	290,792	273,568	552,207	(47,413)	1,478,501
Total Assets	**672,701**	**513,912**	**374,277**	**936,402**	**825,432**	**3,322,724**
Liabilities						
Equity	162,452	175,483	150,404	151,349	(113,497)	526,191
Non-current Liabilities	261,946	54,884	28,032	219,869	607,169	1,171,900
Current Liabilities	248,303	283,545	195,841	565,184	331,760	1,624,633
Total Liabilities	**672,701**	**513,912**	**374,277**	**936,402**	**825,432**	**3,322,724**

The criteria used to obtain the figures for assets and liabilities by segments are as follows:

1. The figures have been grouped together by each segment based on the use of the sub-consolidated figures of each of the business heads maintained by the group.

2. The Corporate activity and Adjustments column includes both the assets and liabilities of general use, which are not distributed to the other activities and which are mainly included in the balance sheet of the parent company, as well as the adjustments effected during the consolidation process.

3. The group also has auxiliary activities, portfolio companies and companies dedicated to the exploitation of property, whose dimension is not significant (less than 5%) enough to present separate information, which is why they are included in the corporate activity column.

6.2. Information by geographic segments.

a) The sales distribution by geographical segments at 31 December 2004 and 2005 is as follows:

Geographic area	Amount at 31/12/05	%	Amount at 31/12/2004	%
Domestic market	**1,041,707**	**51.5**	**1,045,765**	**59.9**
- USA and Canada	270,269	13.4	225,215	12.9
- European Union	122,184	6.0	120,464	6.9
- Latin-America	492,300	24.3	295,049	16.9
- Other countries	97,055	4.8	59,359	3.4
Foreign market	**981,808**	**48.5**	**700,087**	**40.1**
Total	**2,023,515**	**100.0**	**1,745,852**	**100.0**

b) The distribution of net investments in (Intangible and Tangible) Fixed Assets by geographical segments at 31 December 2004 and 2005 is as follows:

Geographic area	Balance as of 31/12/2005	Balance as of 31/12/2004
Domestic market	**576,860**	**524,183**
- USA and Canada	99,572	67,353
- European Union	20,784	17,888
- Latin-America	571,002	252,244
- Other countries	1,514	292
Foreign market:	**692,872**	**337,777**
Total	**1,269,732**	**861,960**

Note 7. Intangible Assets.

7.1. The statement and movement of the main types of intangible assets, broken down between those generated internally and other intangible assets, are as follows:

Cost	**Goodwill Fund**	**Development Projects**	**Other Intangible Assets**	**Total**
Balances as of 1 January 2004	297,176	-	17,595	314,771
Increases	10,971	-	1,996	12,967
Decreases	(274)	-	(119)	(393)
Other movements	(10,580)	-	(4,015)	(14,595)
Balances as of 31 December 2004	**297,293**	**-**	**15,457**	**312,750**
Increases	1,217	37,487	10,699	49,403
Decreases	(5,422)	-	(2,194)	(7,616)
Other movements	10,337	-	(9,078)	1,259
Balances as of 31 December 2005	**303,425**	**37,487**	**14,884**	**355,796**

Accumulated depreciation	**Goodwill Fund**	**Development Projects**	**Other Intangible Assets**	**Total**
Balances as of 1 January 2004	-	-	(9,832)	(9,832)
Increases (changes)	-	-	(3,958)	(3,958)
Decreases	-	-	180	180
Other movements	-	-	10,808	10,808
Balances as of 31 December 2004	**-**	**-**	**(2,802)**	**(2,802)**
Increases (changes)	-	-	(4,494)	(4,494)
Decreases	-	-	167	167
Other movements	-	-	-	-
Balances as of 31 December 2005	**-**	**-**	**(7,129)**	**(7,129)**

In general, the amounts corresponding to "Other Movements" show incomings and outgoings of companies on the consolidation perimeter, as well as regularisations between definitive balances from the previous financial year of individual companies regarding those provided for consolidation; the net effect is not significant.

The heading titled "Development Projects" includes the amounts invested in two projects: "Design and development of the pilot plants for the production of bioethanol using cellulose biomass" (€ 10.5 million at 31 December 2005) and "Development of plants with high-performance thermoelectric solar technology” (€ 27 million at 31 December 2005).

In addition, Abengoa makes significant investments in R&D&I spending, which are included in the income statement in accordance with the criteria laid down in IFRS. The amount for spending on research and development for the financial year is 2005 and 2004 in addition to the capitalised projects totals € 18,305 and € 15,220 thousands, respectively and approximately.

7.2. The consolidation goodwill by part-owned companies at 31 December 2004 and 2005 is as follows:

Goodwill	Balance as of 31/12/2005	Balance as of 31/12/2004
Companies consolidated by line by line / proportional method		
Abengoa Bioenergy Corp.	37,726	32,674
Abengoa Chile Consolidado	-	5,414
Befesa Aluminio Valladolid, S.A.	422	422
Befesa Aluminios Bilbao, S.L.	18,230	18,230
Befesa Argentina, S.A.	525	470
Befesa Gestión de PCB, S.A	180	180
Befesa Gestión de Residuos Industriales, S.L.	29,897	29,897
Befesa Medio Ambiente, S.A.	162,587	162,587
Befesa Tratamientos y Limpiezas Industriales, S.L.	15,016	15,016
Befesa Zinc Amorebieta, S.A.	2,663	2,663
Befesa Zinc Aser, S.A.	4,268	4,268
Befesa Zinc Sondika, S.A.	854	854
Construcciones y Depuraciones, S.A.	3,006	3,006
Construcciones Metálicas Mexicanas, S.A. de C.V.	651	136
Gestión de Residuos del Cerrato, S.L.	1,232	1,232
ICX Sistemas	-	15
Miner & Miner Consulting Engineers, Inc.	3,435	1,820
Nordic Biofuels of Ravenna	932	764
Telvent Australia Pty Ltd	836	-
Telvent Canadá, Ltd.	19,333	16,232
Telvent USA, Inc.	1,632	1,413
Totals	**303,425**	**297,293**

With regard to the goodwill, at the end of the financial year, estimates have been made of the recoverable amount of the Cash Generation Units (CGU) to which they have been allocated. The recoverable amount is determined on the basis of the current use value calculation. These calculations use cash flow forecasts based on financial budgets adopted by the directors and discounted by means of discount rates similar to those used in the same types of business by the group. At the year end, it has not been considered necessary to record impairment losses.

Note 8. Tangible Fixed Assets.

8.1. The statement and movements for the 2004 and 2005 financial years regarding the different categories of tangible fixed assets are given the following table:

Cost	Land and Buildings	Technical Installations and Machinery	Advances and Fixed Assets in Progress	Other Fixed Assets	Total
Balances as of 1 January 2004	157,498	331,808	7,081	93,639	590,026
Increases	5,152	15,742	16,452	5,478	42,824
Decreases	(2,707)	(9,106)	(20,665)	(1,511)	(33,989)
Other movements	860	2,258	4,413	3,578	11,109
Balances as of 31 December 2004	**160,803**	**340,702**	**7,281**	**101,184**	**609,970**
Increases	36,845	33,314	14,964	31,675	116,798
Decreases	(849)	(2,655)	(18,092)	(12,972)	(34,568)
Other movements	(9,102)	141,727	23,153	25,946	181,724
Balances as of 31 December 2005	**187,697**	**513,088**	**27,306**	**145,833**	**873,924**

Accumulated depreciation	Land and Buildings	Technical Installations and Machinery	Advances and Fixed Assets in Progress	Other Fixed Assets	Total
Balances as of 1 January 2004	(18,225)	(162,994)	-	(53,499)	(234,718)
Increases	(4,596)	(17,195)	-	(5,112)	(26,903)
Decreases	1,684	4,534	-	1,504	7,722
Other movements	1,870	515	-	161	2,546
Balances as of 31 December 2004	**(19,267)**	**(175,140)**	**-**	**(56,946)**	**(251,353)**
Increases	(2,902)	(24,382)	-	(7,936)	(35,220)
Decreases	125	30	-	868	1,023
Other movements	1,315	(36,756)	-	(10,210)	(46,651)
Balances as of 31 December 2005	**(20,729)**	**(236,248)**	**-**	**(74,224)**	**(331,201)**

In general, the amounts corresponding to "Other movements" show the inclusion of certain companies considered as Project companies in previous fiscal years, as well as regularisations between definitive balances from the previous financial year of individual companies regarding those provided for consolidation.

8.2. The fixed assets not used in operations are not significant.

8.3. It is the companies' policy to take out all the insurance policies considered necessary for covering the possible risks that might affect the tangible fixed assets.

8.4. In compliance with the agreements laid down in the town planning collaboration agreement by and between the town planning department of Seville, Iniciativas de Bienes Inmuebles, S.A. (IBISA) and Abengoa, S.A. on 1 March 2004, at the end of the 2005 financial year the group company Centro Tecnológico Palmas Altas, S.A. (CTPA) acquired land owned by IBISA amounting to € 31 million. The said amount corresponds to that for which IBISA acquired the land from Abengoa, S.A. in 2002 (amounting to € 28,858 thousands) plus costs, which were basically financial, attributable to the value of the land from that date. The agreements between the parties included the commitment, should the value of the land acquired by IBISA from Abengoa, S.A., for whatsoever reason, be finally higher than the acquisition price plus expenses, that Ibisa would undertake to transfer the difference between both values to Abengoa, S.A. or award a buyback option under the same terms and conditions, which has been the option taken.

Subsequently, CTPA carried out an exchange with the City Hall of Seville whereby it acquired 80.94% of the ownership of land in Palmas Altas to install a technology centre in exchange for the urban use of 14,480.76 square metres of its land. The valuation of the exchanged assets totals € 17,940 thousands.

The aforementioned valuation involves capital gains on the cost of the land exchanged totalling € 8,738 thousands without considering the tax effect susceptible to recognition under IFRS. However, given that the transaction is pending valuation with no monetary transaction related to the lands and rights exchanged having been closed and or registered in the Companies Book at the date of closure, which will take place when the agreement is recorded as a public document, the recognition of the capital gains will be carry out at the moment when a monetary transaction is carried out involving any of the lands forming part of the exchange.

By virtue of the commitments assumed by IBISA and Abengoa, CTPA shall finalise the installation of the technology centre in the maximum term of three years from when the works licence is awarded. On the other hand, given that the urban use transferred will occur once the town planning project has been definitively approved, constituting a future asset until then, CTPA has provided sufficient guarantee for the value of the said asset (€ 17,940 thousands), a guarantee that will be returned once the said plan has been definitively approved.

Note 9. Project Finance.

9.1. The consolidation perimeter includes holdings in various companies whose corporate purpose is "single-project".

The companies that own the projects usually finance them through the concept known as "project finance" (no-recourse financing applied to projects).

In this regard, the base of the finance agreement between the company and the bank lies in the allocation of the cash flows the project generates to the repayment of the financing and to satisfying the financial load, with exclusion or quantified payment of whatsoever other asset resource, in such a way that the recovery of the investment by the bank is exclusively through the cash flows of the project financed, with subordination to whatsoever other debt to which the no-recourse financing applied to projects is derived as long as the said finance has not been fully repaid.

Accordingly, we have finance without recourse formulas that are applied to specific business projects. In the companies that own the projects, besides the shareholding of Abengoa, S.A. or its subsidiaries, there are usually other shareholders, such as electricity companies, regional governments and other local shareholders.

The no-recourse financing applied to projects can have the following as usual guarantees:

- Pledge of the shares of the developer company awarded by the shareholders of the said company.
- Assignment of collection rights.
- Limitations on the disposal of the assets of the project.

On occasions, the shareholders have purchase options over the installations at a stipulated price, a fact that is taken into account when determining the book entries of the project and, where necessary, the necessary funds are provided so that the differences between the consolidated net assets and the acquisition value established in the purchase option is shown, avoiding the existence of losses in the transaction in whatsoever case.

9.2. The amounts and variations during the 2004 and 2005 financial years with regard to project finance are as follows:

No-recourse financing applied to projects	Balance as of 01/01/04	Increases	Decreases	Other movements	Balance as of 31/12/04
Long term	175,424	67,491	(38,976)	-	203,939
Short term	93,049	120,746	(52,957)	-	160,838
Total no-recourse financing	**268,473**	**188,237**	**(91,933)**	**-**	**364,777**

No-recourse financing applied to projects	Balance as of 31/12/04	Increases	Decreases	Other movements	Balance as of 31/12/05
Long term	203,939	237,663	(49,118)	(6,119)	386,365
Short term	160,838	254,727	(122,571)	(8,519)	284,475
Total no-recourse financing	**364,777**	**492,390**	**(171,689)**	**(14,638)**	**670,840**

On the assets side of the balance sheet ("Financial accounts receivable" of under the current assets), there are reserve accounts at the beginning inception of the debt amounting to € 4,751 thousands related to project finance.

9.3. The amounts and variations during the 2004 and 2005 financial years with regard to investments in projects financed without recourse are as follows:

Intangible assets	Balance as of 01/01/04	Increases	Decreases	Other movements	Balance as of 31/12/04
Intangible assets	207,681	5,530	(22)	-	213,189
Accumulated depreciation	(4,287)	(7,441)	-	-	(11,728)
Net intangible assets	**203,394**	**(1,911)**	**(22)**	**-**	**201,461**

Intangible assets	Balance as of 31/12/04	Increases	Decreases	Other movements	Balance as of 31/12/05
Intangible assets	213,189	244,511	(47,434)	9,093	419,359
Accumulated depreciation	(11,728)	(6,451)	13,480	(7,125)	(11,824)
Net intangible assets	**201,461**	**238,060**	**(33,954)**	**1,968**	**407,535**

Cost	Land and Buildings	Technical Installations and Machinery	Advances and Fixed Assets in Progress	Other Fixed Assets	Total
Balances as of 1 January 2004	17,460	215,395	163,006	5,965	401,826
Increases	8	45,641	89,745	197	135,591
Decreases	-	(476)	-	-	(476)
Other movements	(11,072)	(28,965)	(139,549)	29	(179,557)
Balances as of 31 December 2004	**6,396**	**231,595**	**113,202**	**6,191**	**357,384**
Increases	-	-	175,145	530	175,675
Decreases	-	-	-	-	-
Other movements	(5,096)	(134,434)	(81,600)	(5,790)	(226,920)
Balances as of 31 December 2005	**1,300**	**97,161**	**206,747**	**931**	**306,139**

Accumulated depreciation	Land and Buildings	Technical Installations and Machinery	Advances and Fixed Assets in Progress	Other Fixed Assets	Total
Balances as of 1 January 2004	(4,837)	(47,209)	-	(3,866)	(55,912)
Increases	(35)	(16,633)	-	(660)	(17,328)
Decreases	-	-	-	4	4
Other movements	4,684	21	-	374	5,079
Balances as of 31 December 2004	**(188)**	**(63,821)**	**-**	**(4,148)**	**(68,157)**
Increases	(42)	(2,994)	-	(414)	(3,450)
Decreases	-	-	-	-	-
Other movements	-	35,672	-	4,028	39,700
Balances as of 31 December 2005	**(230)**	**(31,143)**	**-**	**(534)**	**(31,907)**

The heading "Other Movements in Tangible Fixed Assets" includes the transfer from tangible fixed assets to the intangible assets of the products integrated once the construction and commencement phase has ended (See Note 2.19) and the outgoings of certain companies not considered Projects companies in this financial year.

In addition, the variations in advances and fixed assets in progress for € 89,745 thousands correspond basically to the construction of the transmission line Sobradinho-Colinas in Brazil, a company in preoperational phase (See Note 9.5) and, in accordance with the above, to the reclassification of the projects in progress in previous years and which this year are considered as an intangible asset once their construction is finished.

9.4. The cancellation of the no-recourse financing applied to projects is scheduled, to date, in accordance with the following calendar as per the cash-flow forecasts to be generated by the projects.

2006	2007	2008	2009	2010	Subsequent	Total
284,475	34,304	35,014	35,202	35,510	246,335	670,840

9.5. The no-recourse financing applied to projects includes, as no-recourse financing in progress, the cash transactions consisting of the obtaining of financial resources, generally through banks, that are included in project development, which are normally carried out under the modality of project finance. This obtaining of resources is considered as a concept similar to the traditional advance payments customers make during the different phases of the execution of a work or project; the no-recourse financing in progress has the particularity with regard to the traditional advance payments of customers in that it is usually a bank that provides the funds and they correspond to temporary transactions (usually with a term less than two years) during the assets/projects construction and launch phase which, once finalised and commissioned, are the object of transactions financed through the modality of project finance (See Note 9.1).

The temporary cash transactions remain in this heading until the definitive formalisation of the no-recourse financing applied to projects.

However, if during the transitional period, there is a risk of non-compliance with of the terms agreed for the formalisation of the project finance (or for the construction that will finally give rise to the finance), they are reclassified to the corresponding section of the balance sheet heading in accordance with their nature; which is usually Bank loans.

At 31/12/05, the two projects of this nature are as follows:

The Sobradinho-Colinas line, whose concession belongs to the company ATE II Transmissora de Energia, S.A., and the batch A line - Pará-Tocantins transmission lines, whose concession belongs to the company ATE III Transmissora de Energia, S.A. The most significant figures for these two projects are given in the following table:

Item	**ATE II**	**ATE III**
Project start date	March 2005	February 2006
Anticipated finalisation date	March 2007	February 2008
Contract amount (EPC)	€ 325.854 thousands	€ 203,573 thousands
Execution at 31/12/05	€ 130,342 thousands	-
Short-term finance start date	March 2005	March 2005
Short-term finance maturity date	March 2007	March 2006
Amount drawn	€ 246,300 thousands	-
Long-term anticipated finance start date	June 2006	March 2007
Long-term finance duration	Up to 20 years	Up to 15 years
Total amount long-term finance	€ 255,256 thousands	€ 110,780 thousands

The Londrina-Assis-Sumaré transmission line project, whose concession belongs to the company Abenasa Transmissao de Energia, Ltda. and which was classified in this heading at 31/12/04, has also now been definitively formalised as no-recourse financing applied to projects.

Note 10. Investments in Associated Companies.

The investments in associated companies during the 2004 and 2005 financial years are as follows:

Company	Balance as of 01/01/2004	Yearly allocation	Other movements	Balance as of 31/12/2004
Agua y Gestión de Servicios Ambientales, S.A.	-	434	5,358	5,792
Cogeneración del Sur, S.A.	70	2	-	72
Cogeneración Motril, S.A.	2,506	523	240	3,269
Deydesa 2000, S.L.	7,928	161	(243)	7,846
Ecología Canaria, S.A. (Ecansa)	700	172	1	873
Expansion Transmissao de Energía Electrica Ltda.	6,651	827	(946)	6,532
Expansion Transmissao Itumbiara Marimbondo, Ltda.	139	208	3,873	4,220
Intersplav	3,377	520	(1,506)	2,391
Tenedora de Acciones de Red Eléctrica del Sur, S.A.	5,879	787	(233)	6,433
Other companies.	1,184	-	(401)	783
Total	**28,434**	**3,634**	**6,143**	**38,211**

Company	Balance as of 31/12/2004	Yearly allocation	Other movements	Balance as of 31/12/2005
Agua y Gestión de Servicios Ambientales, S.A.	5,792	721	80	6,593
Cogeneración del Sur, S.A.	72	1	157	230
Cogeneración Motril, S.A.	3,269	1,540	(643)	4,166
Deydesa 2000, S.L.	7,846	-	(636)	7,210
Ecología Canaria, S.A. (Ecansa)	873	52	(52)	873
Expansion Transmissao de Energía Electrica Ltda.	6,532	1,913	1,985	10,430
Expansion Transmissao Itumbiara Marimbondo, Ltda.	4,220	690	1,388	6,298
Intersplav	2,391	270	80	2,741
Inversiones Eléctricas Transam Chile Limitada	-	-	5,032	5,032
Tenedora de Acciones de Red Eléctrica del Sur, S.A.	6,433	220	(524)	6,129
Other companies	783	(49)	(400)	334
Total	**38,211**	**5,358**	**6,467**	**50,036**

The most significant movement in the fiscal year corresponds to the inclusion of Inversiones Eléctricas Transam Chile Limitada within the consolidation perimeter.

The goodwill included in the acquisition price totals € 4,483 thousands relates in its entirety to companies Deydesa 2000, S.L. and Intersplav.

The amount of the holdings corresponding to companies located outside Spain totals € 30,630 thousands (€ 19,576 thousands in 2004).

Note 11. Financial Assets at Fair Value with Changes in Results.

The financial assets at fair value with changes in results are as follows:

At 1 January 2004	**100,150**
Entries	-
Disposals	(1,373)
Adjustment at fair value	-
Exchange differences	-
At 31 December 2004	**98,777**
Entries	8,073
Disposals	(1,435)
Adjustment at fair value	17,353
Exchange differences	-
At 31 December 2005	**122,768**
Less: Non-current part	**-**
Current part	**122,768**

At the end of the 2005 financial year, the book amount of these financial assets maintained held for trading totals € 106,850 thousands (€ 100,150 thousands in 2004).

11.1. The market-value financial assets with changes in the results include in their entirety stockholdings in IBEX-listed companies.

11.2. The financial results heading of the income statement includes the net profits obtained from the sale of securities listed on an organised secondary market for the approximate amount of € 8,073 thousands.

Note 12. Financial Assets Available for Sale.

The financial assets available for sale during the 2004 in 2005 financial years are as follows:

At 1 January 2004	**29,780**
Entries	6,007
Disposals	(4,208)
At 31 December 2004	**31,579**
Entries	8,094
Disposals	(6,880)
At 31 December 2005	**32,793**
Less: Non-current part	(30,685)
Current part	2,108

During 2004 and 2005, there were no provisions for impairment losses in the financial assets available for sale.

12.1. The financial assets available for sale include mainly holdings in companies not listed on a secondary market.

12.2. The following is a list of the companies which, in accordance with current standards, have not been included in the consolidation perimeter for the 2005 financial year (See Note 2.2) and in which the level of direct and indirect participation of the parent company is greater than 5% and lower than 20%, where the net book value of the aforementioned holdings is € 29,618 thousands.

Long-term securities	**% shareholding 2005**	**% shareholding 2004**
Aquanima	-	5.00
Banda 26, S.A.	9.00	9.00
Cisep	-	12.50
Grupo Empresarial Gea XXI, S.A.	14.29	14.29
Holding Estructuras	5.00	-
Nextell Communication Solutions, S.A.	10.00	10.00
Norpost, S.A.	10.00	10.00
02 Diesel	13.00	-
Vetejar	8.67	8.67
Viryanet, Ltd.	9.96	-
Xfera Móviles, S.A.	5.63	5.63

Short-term securities	**% shareholding 2005**	**% shareholding 2004**
BC International Corp.	9.90	9.90
Chekin	14.28	14.28
Comeesa	6.08	6.90
Mediación Bursátil, S.V.B., S.A.	8.00	8.00

12.3. All the necessary notifications have been sent to the companies in which the direct or indirect shareholding is more than 10%, in compliance with of article 86 of the rewritten text of the Limited Companies Act.

12.4. There are no substantive circumstances that affect the portfolio securities, such as lawsuits, seizures, etc.

12.5. In general, the securities are stated in national currency; for the values given in foreign currency, the corresponding exchange differences are recorded in order to provide them with the cover required to guarantee their value.

12.6. There are no firm purchase and/or sale commitments that may be considered significant with regard to the financial statements as a whole.

12.7. The amount of the interests accrued and not collected is not significant.

12.8. The average profitability rate of the fixed income securities is in line with market rates.

12.9. As a result of the negotiations associated with the renewal of the administrative guarantees, on 30 December 2002, Telvent GIT, S.A. a subsidiary of Abengoa, S.A. and head of the information technologies business group, exercised, in advance, a purchase option awarded in 2000 by Inversión Corporativa IC., S.A. (a holding company with most of the shares of Abengoa, S.A.) over 3.71% of Xfera, S.A. amounting to € 25,000 thousands, as a consequence of the counter-guarantee obligations assumed by Abengoa. The set holding had been simultaneously (December 2002) acquired for a similar amount by Inversión Corporativa IC, S.A. in application of the purchase option and deferred sale contracts that had been signed in 2000 with Mercapital Telecommunications.

This acquisition materialised once (in accordance with the press release issued by the Ministry of Science and Telecommunications on 26 December 2002) the agreements had been reached between the operators and the government to ensure certain preliminary conditions required by Abengoa to exercise the option. These conditions included the redefinition and substantial reduction of the guaranteed commitments before the government. The agreements were finally materialised in the resolution of the Secretary of State for Telecommunications and for the Information Society on 21 March 2003. However, until the said measure was formerly implemented, and as a consequence of the acquisition of its holding in Xfera, Telvent GIT, S.A. initially took over the responsibility for the guarantees (a) amounting to € 99,963 thousands with regard to the Spanish government, for which it made monetary deposits (in euros and in dollars) for a value of approximately € 50,000 thousands as guarantee for the compliance with the commitments (which were to be materialised gradually and over a period of 10 years after the date of the commercial launch) regarding investment, commercialisation, employment and the development of the network acquired by Xfera Móviles, S.A. with regard to the UMTS B-2 licence; and (b) for € 7,781 thousands as a guarantee for the claim filed before the government for the amounts corresponding to the radioelectric public domain reserved for the 2001 and 2002 financial years.

At present, this holding is maintained in the group under the ownership of the company Telvent Investments, S.A. (a holding company that is owned 100% by Abengoa, S.A.), which acquired the holding in the 2004 financial year according to the corresponding book cost.

As previously indicated, during the 2003 financial year, on 21 March, the Secretary of State for Telecommunications and the Information Society adopted a resolution whereby the amounts and terms of the commitments assumed by Xfera were modified, which represented a significant decrease in the guarantees constituted up to that time. This enabled the operator’s shareholders to begin proceedings to replace the amount and the characteristics of the 26 original guarantees (at that time for a total amount of € 2,687,184 thousands, net of the amounts drawn on 18 December 2002 totalling € 312,980 thousands as a consequence of the partial compliance with the assumed milestones) by one single floating guarantee amounting to € 467,797 thousands.

Consequently, the amount counter-guaranteed by Telvent GIT for the said item, in accordance with the share percentage in the capital of Xfera, became € 25,541 thousands, and the previously constituted monetary deposits were released. At present, after renegotiations concerning the investment and operation experiences, the guarantees have been reduced to a floating guarantee of € 176,100 thousands, for which the group is to offer a counter-guarantee of € 9,938 thousands.

The incapacity shown by one of the partners (Vivendi) to instrument to its quota-part of the process for the reduction and substitution of the guarantees agreed in December 2002 meant that to make the substitution possible, the other shareholders had to assume the proportional part of the guarantees corresponding to the dissident shareholder. Consequently, the shares corresponding to the holding, not including this shareholder, during 2003, the company, with the other shareholders assuming their proportion of the rights and obligations (except for the guarantees that had been provided for the appeal against the rate) and therefore the shares in Xfera at the symbolic value of one Euro. In the case of Telvent GIT, S.A., it meant the acquisition of 5,390,876 additional shares, increasing its holding from 3.72% to 5.46% with no increase to the book value.

During the 2004 financial year, the group increased its holding to 5.63%, with the cost of € 760 thousands for the resolution of the arbitrator's decision as a consequence of the shareholders’ agreement and motivated by the incompatibility (Orange takeover bid) with regard to Vodafone's holding (6.986%) in the share capital of Xfera. This decision was based on the valuation at 29 January 2001 (updated by the subsequent payments) initially made by two international business banks and then submitted to arbitration by a third International bank due to the differences in the results, according to conclusions finally made in the month of January 2004.

In addition, in the 2004 financial year, the company subscribed in its percentage to the increase in capital agreed on 15 December 2003, which meant a payment of € 1,467 thousands, as well as 50% of the new increase in capital agreed in December 2004, which represented a payment of € 677 thousands.

During the 2005 financial year, the remaining 50% of the increase in capital has been paid out. The payment has totalled € 678 thousands.

As a consequence of the said transactions, the total acquisition cost of the shares in Xfera totals, at the end of the 2005 financial year, the amount of € 27,713 thousands, whereas with regard to the guarantees constituted by the company as a consequence of the said investment at the end of 2005, the amount was € 9,938 thousands, an amount reached as a consequence of the materialisation of new reductions in the amounts and the nature of the global commitments corresponding to Xfera, which currently maintains only one floating guarantee amounting € 176,100 thousands. In addition, Telvent maintains guarantees for the rate of the radioelectric spectrum up to 2005 for an accumulated amount of € 10,740 thousands (€ 1,376 thousands corresponding to the rate of the 2005 financial year), an item that is not settled since it is systematically appealed against by Xfera and guaranteed by its shareholders, together with a guarantee of € 790 thousands as a guarantee for a loan awarded by a bank to Xfera.

As is usual in no-recourse projects finance contracts for shareholders, the total amount of the shares of Xfera Móviles, S.A. are pledged in guarantee of the fulfilment of a contract signed by said company with its main technology suppliers, where the pledge also covers future shares that may be acquired as a consequence of the increases in capital as they are decided.

The total acquisition cost of 5.64% of Xfera corresponding to 19,808,123 shares and the corresponding impact on the average unit cost of the shares to date is as follows:

Item	Amount	Cost	Shareholding
Acquisition of the holding in 12/2002	25,000	2.18 €	3.71%
Allocation of shares in Vivendi in 2003	-	0.00 €	1.75%
Return of the guarantee amount	(869)	N/A	N/A
Purchase of Vodafone shares in 2004	760	1.32 €	0.17%
Increases in capital during 2004	2,144	1.00 €	N/A
Increases in capital during 2005	678	1.00 €	N/A
Balance as of 31/12/2005	**27,713**	**1.40 €**	**5.63%**

The investment in Xfera responded and continues to respond to the strategic interest it holds for the activity of the information technologies business group. Given the strategic character of the investment for the development of UMTS technology in the said business group, the tacit capital gains, goodwill, are identified from the beginning with the updated cash flows estimated by the demand of third parties for the services Abengoa is estimated as capable of supplying through its companies related to this shareholding (generation of induced business).

When the shareholding of 3.71% was acquired in Xfera (on 30/12/02), consideration was given, on the one hand, to the price paid in the transaction (which totalled only the restitution of the costs and expenses to IC up to that date as a consequence of the investment for an approximate amount of € 25 million) and, on the other, the theoretical book value of the said shareholding corrected by the tacit capital gains at the moment of the acquisition, based on the aforementioned cash flows estimated by the demands of third parties which totalled € 31.7 million.

In accordance with IAS 39, the holding in the company is considered as an "Asset available for sale" (See Note 2.9.d), although, as indicated, from the moment the shareholding was taken, it was considered that the financial investment as such lacked value for the group. In addition, in accordance with the IAS 22 and 38, the overprice paid is considered allocated to the induced business as a goodwill implicit in the price. Accordingly, the criterion followed is that of repaying the aforementioned goodwill to counter the income consigned by the materialisation of the induced business. Accordingly, during the 2004 financial year, a fund of € 4,100 thousands was provided corresponding to the repayment of the intangible assets as a result of signing pluri-annual contracts during 2004 with third parties totalling the amount of € 15 million, extendable to 25 and in euros, thanks to the strategic agreement signed with Xfera on 14 November 2003.

During the 2005 financial year, no new agreements have materialised, although mention must be made of the fact that Xfera has begun the investment process required for the commercial launch of the UMTS telephone service, which is estimated to be implemented halfway through the 2006 financial year. Consequently, the persons in charge at Telvent estimate that during the said financial year, the current negotiations for certain contracts for the provision of services will materialise.

In whatsoever case, mention must be made of the fact that as notified by Abengoa and IC to the CNMV (National Securities Market Commission) as relevant events on 6 and 7 November 2003, IC is obliged to Abengoa to guarantee to the latter all the amount paid for the acquisition of the shareholding in Xfera assumed as a consequence of the said shareholding up to the commercial launch and provision of services of Xfera and insofar as the said commercial launch is not finally formalised, regardless of the net book value for which the shareholding is registered.

Note 13. Derivative Financial Instruments.

The derivative financial instruments are as follows:

Item	31/12/05		31/12/04	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Contracts of interest rate-cash flow hedge	-	-	-	773
Contracts of interest rate-fair value hedge	9,230	-	-	-
Deferred foreign currency contracts-cash flow hedge	134	5,499	5,072	6,340
Deferred foreign currency contracts-fair value hedge	-	-	-	-
Deferred inventory contracts-cash flow hedge	-	25,344	-	10,039
Deferred inventory contracts-fair value hedge	-	-	-	-
Total	**9,364**	**30,843**	**5,072**	**17,152**

As in the previous year, with the aim of minimizing the volatility of interest rates on financial operations, specific contracts are entered into to cover possible variations that may arise. Thus, at 31st December 2005, 83.3% of the syndicated loan is covered by interest rate derivatives, until the loan falls due. The average reference rate of the syndicated loan in 2005 was 2.19%.

Note 14. Inventories.

14.1. At 31 December 2004 and 2005, the inventories were as follows:

Item	Amount at 31/12/05	Amount at 31/12/2004
Goods for resale	6,811	9,001
Raw materials and other supplies	40,117	29,685
Work in progress and semi-finished products	2,640	1,274
Projects in progress	44,805	49,928
Finished products	34,825	29,515
Advance payments	8,608	8,792
Total	**137,806**	**128,195**

The amount of the inventories corresponding to companies located outside Spain totals € 95,636 thousands (€ 55,457 thousands in 2004).

14.2. There are no limits on the availability of the inventories owing to factors such as guarantees, pledges, deposits, except for the normal guarantees for the construction of projects, which are released as the contractual milestones are reached.

Note 15. Cash Equivalents and Cash.

The cash and bank balance at 31 December 2005 totals € 435,366 thousands (€ 252,145 thousands in 2004), which represent availabilities of liquid cash means and balances in favour of companies in the group in current accounts immediately available in banks and credit institutions.

Of the said amount, € 230,904 thousands (€ 198,027 thousands in 2004) corresponds to companies located in Spain and € 204,462 thousands (€ 54,118 thousands 2004) to companies located abroad. In addition, the amount corresponding to companies related to project finance (See Note 9) totals € 157,937 thousands (€ 56,502 thousands in 2004).

The breakdown of the said balances by the main currencies in which they are nominated is as follows:

Currency	31/12/05 Spanish companies	31/12/05 Foreign companies	31/12/04 Spanish companies	31/12/04 Foreign companies
Euro	218,542	3,869	161,211	605
American dollar	5,000	168,544	36,816	26,768
Canadian dollar	3	4,341	-	1,914
Swiss franc	1	36	-	387
Pound sterling	9	83	-	103
Argentinean peso	24	171	-	604
Chilean peso	-	1,343	-	3,217
Mexican peso	230	1,500	-	13,294
Brazilian real	-	8,296	-	6,558
Others	7,095	16,279	-	668
Total	**230,904**	**204,462**	**198,027**	**54,118**

Note 16. Share Capital.

The share capital at 31 December 2005 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 June 2000, there was an increase in capital, whose shares are listed on the stock exchange as from 31 August 2000.

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 2005 are as follows:

Shareholders	% Holding
Inversión Corporativa IC, S.A. (*)	50.00
Finarpisa, S.A. (*)	6.04
State Street Bank and Trust Co	5.01

(*) Corporate Investment Group.

The ordinary general shareholders meeting of Abengoa, S.A. on 26 June 2005 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 50% of the share capital at the moment of the authorisation, within a maximum term of five years.

2.- To approve the issue of bonds which may be converted into shares with the consequent increase in share capital to € 261,585 thousands in a maximum term of five years.

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.

On 15 September 2004, the board of directors of Abengoa, based on the fact that the value of the company at the said date, of around seven euros per share during the last quarter, did not reflect the company's true growth potential, considered it of interest to the company from the financial point of view to invest in its own shares. However, taking into account that the company is, by definition, a shareholder with greater information than the rest of the market and that, albeit unintentionally, its operations may influence the price of the company shares, it proceeds to adopt the corresponding norms and precautions with a view to guaranteeing no artificial influence on prices. Consequently, making use of the faculties awarded by the general shareholders meeting, the board of directors agreed the implantation of a programme to enable the acquisition of own shares, allocating a maximum amount of € 15 million during the last financial year, which could not exceed 5% of the share capital under any circumstances, and subject at all times to applicable legislation and, in particular, to the provisions laid down in title VII of the Stock Market Act 24/1988 and in the company's internal code of stock market conduct. During the 2004 and 2005 financial years, Abengoa, S.A. has not acquired any bought-back shares.

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 revised 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.

Note 17. Parent Company Reserves.

The amount and movement of the accounts that form part of the Parent company reserves heading during the 2004 and 2005 financial years are as follows:

Item	Balance as of 01/01/2004	Distribution results 2003	Other movements	Balance as of 31/12/2004
Share issue premium	110,009	-	-	110,009
Revaluation reserve	3.679	-	-	3,679
Other parent company reserves:				
- Distributable	107,417	674	-	108,091
- Non-distributable	4,523	-	-	4,523
Total other reserves	**225,628**	**674**	**-**	**226,302**

Item	Balance as of 31/12/2004	Distribution results 2004	Other movements	Balance as of 31/12/2005
Share issue premium	110,009	-	-	110,009
Revaluation reserve	3,679	-	-	3,679
Other parent company reserves:				
- Distributable	108,091	320	-	108,411
- Non-distributable	4,523	-	-	4,523
Total other reserves	**226,302**	**320**	**-**	**226,622**

The legal reserve, which totals € 4,523 thousands has been provided in accordance with article 214 of the Limited Companies Act, which lays down that, in whatsoever case, a figure equal to 10% of the profits of the year shall be allocated until at least 20% of the share capital is reached.

The legal reserve may not be distributed. If used to offset losses in the event of no other sufficient reserves being available for that purpose, it must be replenished through future profits.

The Revaluation reserves heading includes the net effect of the updating of balance sheets in accordance with the provisions laid down in Royal Decree-Law 7/1996; the balance of the said heading is unavailable until it has been verified and accepted by the tax department; the said verification must be carried out within the three years following the date of the end of the balance containing the updating transactions (31 December 1996). Consequently, the term ended on 31 December 1999. Once the verification has been carried out or the term for the said verification has ended, the balance of the account can be used to eliminate negative book results, to an increase in share capital or, after 10 years from the date of the close of the balance showing the updating transactions, to freely available reserves.

The proposal for the distribution of the results of 2005 and other reserves of the parent company to be presented to the general shareholders meeting, together with the approved distribution of 2004, is as follows:

Distribution bases	**Amount at 31/12/05**	**Amount at 31/12/2004**
Profit for the year	13,627	12,984
Distribution		
To voluntary reserves	57	318
To dividends	13,570	12,666
Total	**13,627**	**12,984**

Note 18. Other Reserves.

The amount and movement of Other reserves during the 2004 and 2005 financial years are as follows:

Item	Cover Trans. Reserves	Invest. Avail. for Sale Reserves	Share Plans Reserves	Total
Balance as of 1 January 2004	(1,207)	-	4,912	3,705
- Results for fair value of the financial year	-	(2,475)	-	(2,475)
- Transfer to profits	(15,778)	-	-	(15,778)
- Tax on results of fair value	5,945	866	(2,654)	4,157
- Other movements	-	-	-	-
Balance as of 31 December 2004	**(11,040)**	**(1,609)**	**2,258**	**(10,391)**

Item	Cover Trans. Reserves	Invest. Avail. for Sale Reserves	Share Plans Reserves	Total
Balance as of 31 December 2004	(11,040)	(1,609)	2,258	(10,391)
- Results for fair value of the financial year	(37,437)	126	1,515	(35,796)
- Transfer to profits	16,985	-	-	16,985
- Tax on results of fair value	7,158	(44)	-	7,114
- Other movements	-	-	1,786	1,786
Balance as of 31 December 2005	**(24,334)**	**(1,527)**	**5,559**	**(20,302)**

Note 19. Translation Differences.

19.1. The amount of the translation differences of the companies in the group and associate companies at the end of the 2004 and 2005 financial years is as follows:

Item	Amount at 31/12/05	Amount at 31/12/04
Translation differences:		
- Group	23,539	(26,265)
- Associate companies	3,916	(637)
Total	**27,455**	**(26,902)**

19.2. The consolidated companies by full consolidation/proportional consolidation and by the equity method at the end of the 2004 and 2005 financial years is as follows:

Companies GI/PI	**Amount at 31/12/05**	**Amount at 31/12/04**
Abeinsa Brasil Projetos e Construcoes Ltda.	1,098	-
Abenasa Transmissao de Energia, Ltda. (ATE)	7,649	-
Abengoa Bioenergy Corporation	(7,543)	(21,174)
Abengoa Brasil, S.A.	(4,299)	547
Abengoa Chile, S.A.	4,784	-
Abengoa México, S.A. de C.V.	310	-
Asa Environment, AG	2,698	(597)
Bargoa, S.A.	-	(1,329)
Befesa Argentina, S.A.	(438)	(657)
Befesa Salt Slag Ltd.	(354)	(499)
C.D. Puerto San Carlos, S.A. de C.V.	(378)	-
Enicar Chile, S.A.	(3,996)	-
Miner & Miner Consulting Engineers, Inc.	546	-
Mundiland, S.A.	1,956	-
NTE - Nordeste Transmissora de Energía, S.A.	7,006	-
STE-Sul Transmissora de Energia, Ltda.	3,217	(333)
Telvent Brasil, S.A.	749	408
Telvent Canadá, Ltd.	3,627	-
Telvent México, S.A. de C.V.	359	-
Telvent USA, Inc.	618	-
Telvent, S.A.	-	(329)
Teyma Abengoa, S.A.	1,772	-
Teyma Uruguay, S.A.	1,130	-
Other negative < € 300 thousands	(2,219)	(4,711)
Other positive < € 300 thousands	5,247	2,409
Total	**23,539**	**(26,265)**

Companies EM	**Amount at 31/12/05**	**Amount at 31/12/04**
Expansion Transmissào de Energia Eletrica, Ltda.	2,294	(54)
Expansion Transmissao Itumbiara Marimbondo, Ltda.	1,644	144
Intersplav	-	(727)
Other positive < € 300 thousands	263	-
Other negative < € 300 thousands	(285)	-
Total	**3,916**	**(637)**

The attributed amount in this financial year has totalled € 54,357 thousands (€ 9,675 thousands in 2004), due fundamentally to the revaluation of the US and Canadian dollars and certain Latin American currencies, including the Brazilian real, the Chilean and Argentinean pesos as well as the devaluation of the Swiss franc.

Note 20. Accumulated Earnings.

The amount and movement of the accounts that form part of the Accumulated earnings heading during the 2004 and 2005 financial years are as follows:

Item	Balance as of 01/01/04	Distribution results 2003	Results 2004	Other movements	Balance as of 31/12/04
Reserves in companies consolidated by GI/PI	(1,297)	32,117	-	9,714	40,534
Stockholdings in Companies using the equity method	2,788	2,266	-	(5,524)	(470)
Dividends and Reserves of the Dominant Corporation	-	12,666	-	(12,666)	-
Reserves	**9,754**	**47,049**	**-**	**(8,476)**	**40,064**
Consolidated results for the financial year	47,810	(47,810)	60,199	-	60,199
Results attributed to external shareholders	(761)	761	(7,812)	-	(7,812)
Results attributed to the parent company	**47,049**	**(47,049)**	**52,387**	**-**	**52,387**
Total accumulated earnings	**48,540**	**-**	**52,387**	**(8,476)**	**92,451**

Item	Balance as of 31/12/04	Distribution results 2004	Results 2005	Other movements	Balance as of 31/12/05
Reserves in companies consolidated by GI/PI	40,534	35,769	-	(4,917)	71,386
Stockholdings in Companies using the equity method	(470)	3,634	-	(1,850)	1,314
Dividends and Reserves of the Dominant Corporation	-	12,984	-	(12,984)	-
Reserves	**40,064**	**52,387**	**-**	**(19,751)**	**84,138**
Consolidated results for the financial year	60,199	(60,199)	78,481	-	78,481
Results attributed to external shareholders	(7,812)	7,812	(12,477)	-	(12,477)
Results attributed to the parent company	**52,387**	**(52,387)**	**66,004**	**-**	**66,004**
Total accumulated earnings	**92,451**	**-**	**66,004**	**(19,751)**	**138,704**

The reserves in companies consolidated by full consolidation/proportional consolidation and by the equity method are as follows:

	Balance as of 31/12/05		Balance as of 31/12/04	
	GI/PI	**EM**	**GI/PI**	**EM**
Bioenergy	44,929	-	15,210	-
Environmental Services	48,305	4,479	31,995	399
Information Technologies	27,161	-	29,107	-
Industrial Construction and Engineering	9,590	1,768	(10,826)	(869)
Corporate Activity and resulting from the Consolidation process	(58,599)	(4,933)	(24,952)	-
Total	**71,386**	**1,314**	**40,534**	**(470)**

Note 21. Minority Interests.

2.1. The minority interests heading during the 2004 and 2005 financial years is as follows:

Company	Balance as of 01/01/04	Other movements	Allocation result 05	Balance as of 31/12/04
Abengoa Bioenergía, S.A.	-	4,358	(310)	4,048
Abengoa México, S.A. de C.V.	454	(15)	2	441
Abengoa Perú, S.A.	(1)	-	-	(1)
Alianza Befesa Egmasa, S.L.	249	(153)	179	275
Aprovechamientos Energéticos Furesa, S.A.	30	-	(12)	18
Bargoa, S.A.	651	(9)	(132)	510
Befesa Argentina, S.A.	46	(4)	-	42
Befesa Desulfuración, S.A.	4,732	-	67	4,799
Befesa Escorias Salinas, S.A.	7	-	-	7
Befesa Medio Ambiente, S.A.	8,989	(1,190)	548	8,347
Befesa Plásticos, S.L.	222	-	(9)	213
Befesa Zinc Amorebieta, S.A.	2,271	(32)	184	2,423
Befesa Zinc Sondika, S.A.	1,004	(24)	142	1,122
Bioetanol Galicia, S.A.	2,024	-	417	2,441
Cogeneración Villaricos, S.A.	41	-	(1)	40
Construcciones Metálicas Mexicanas, S.A. de C.V. (Comemsa)	293	(319)	177	151
Ecocarburantes Españoles, S.A.	703	-	409	1,112
Enernova Ayamonte, S.A.	27	-	(39)	(12)
ETBE Huelva, S.A.	226	-	112	338
Europea de Construcciones Metálicas, S.A.	3,637	-	(567)	3,070
Explotaciones Varias, S.A.	1,262	-	(49)	1,213
Galdán, S.A.	245	-	247	492
Iniciativas Hidroeléctricas, S.A.	1,224	-	(56)	1,168
L.T. 304 Noroeste, S.A. de C.V.	(15)	15	-	-
L.T. Rosarito y Monterrey, S.A. de C.V.	(265)	265	-	-
Miner & Miner Consulting Engineers, Inc.	-	204	8	212
Nordeste Transmissora de Energía, S.A. (NTE)	14,453	5,730	888	21,071
Nordic Biofuels of Ravenna	-	1,361	(105)	1,256
Nueva Electricidad del Gas, S.A.	79	(79)	-	-
Pandelco, S.A.	(38)	2	4	(32)
Procesos Ecológicos Vilches, S.A.	59	-	(96)	(37)
Procesos Ecológicos, S.A. (Proecsa)	(142)	400	(53)	205
Puerto Real Cogeneración, S.A.	(163)	-	(59)	(222)
S.E.T. Sureste Peninsular, S.A. de C.V.	(178)	3	(7)	(182)
Sainsel Sistemas Navales, S.A.	846	-	(286)	560
Servicios Auxiliares de Administración, S.A. de C.V.	(10)	1	3	(6)
Sniace Cogeneración, S.A.	879	-	267	1,146
STE - Sul Transmissora de Energía, Ltda.	-	9,967	61	10,028
Telvent GIT, S.A.	2,430	45,969	70	48,469
Teyma Uruguay, S.A.	343	17	30	390
Consolidated Befesa	270	884	354	1,508
Consolidated Bioenergía	-	10	637	647
Consolidated Telvent GIT	209	(936)	3,521	2,794
Eliminations IFRS	(10,953)	(1,310)	1,266	(10,997)
Total	**36,140**	**65,115**	**7,812**	**109,067**

Company	Balance as of 31/12/05	Other movements	Allocation results 05	Balance as of 31/12/05
AB Bioenergy France, S.A.	-	18	(16)	2
Abengoa Bioenergía, S.A.	4,047	(703)	54	3,398
Abengoa México, S.A. de C.V.	441	53	28	522
Abengoa Perú, S.A.	(2)	1	-	(1)
Abengoa Servicios S.A. de C.V.	-	-	(1)	(1)
Alianza Befesa Egmasa, S.L.	275	11	(99)	187
Aprovechamientos Energéticos Furesa, S.A.	17	-	(11)	6
Bargoa, S.A.	511	(439)	(152)	(80)
Befesa Argentina, S.A.	42	4	4	50
Befesa Desulfuración, S.A.	4,800	(3)	186	4,983
Befesa Escorias Salinas, S.A.	7	-	-	7
Befesa Medio Ambiente, S.A.	8,346	(83)	606	8,869
Befesa Plásticos, S.L.	213	-	12	225
Befesa Zinc Amorebieta, S.A.	2,423	(42)	337	2,718
Befesa Zinc Sondika, S.A.	1,122	(32)	204	1,294
Bioetanol Galicia, S.A.	2,441	-	678	3,119
Cogeneración Villaricos, S.A.	40	-	(6)	34
Construcciones Metálicas Mexicanas, S.A. de C.V. (Comemsa)	151	(200)	159	110
Ecocarburantes Españoles, S.A.	1,112	-	371	1,483
Enernova Ayamonte, S.A.	(12)	-	76	64
ETBE Huelva, S.A.	338	-	646	984
Europea de Construcciones Metálicas, S.A.	3,070	-	(69)	3,001
Explotaciones Varias, S.A.	1,214	(1,214)	-	-
Fotovoltaica Solar Sevilla, S.A.	-	198	-	198
Galdán, S.A.	491	(491)	-	-
Iniciativas Hidroeléctricas, S.A.	1,169	1	(156)	1,014
Miner & Miner Consulting Engineers, Inc.	212	43	209	464
Nordeste Transmissora de Energía, S.A. (NTE)	21,072	6,698	1,314	29,084
Nordic Biofuels of Ravenna	1,256	(1,256)	-	-
Pandelco, S.A.	(33)	7	(8)	(34)
Procesos Ecológicos, S.A. (Proecsa)	206	-	(1)	205
Procesos Ecológicos Vilches, S.A.	(36)	57	512	533
Puerto Real Cogeneración, S.A.	(222)	104	7	(111)
Residuos Ind. de la Madera de Córdoba, S.A.(Rimacor)	-	500	17	517
Sainsel Sistemas Navales, S.A.	560	(282)	(313)	(35)
Servicios Auxiliares de Administración, S.A. de C.V.	(6)	(1)	4	(3)
SET Sureste Peninsular, S.A. de C.V.	(181)	43	(13)	(151)
Sniace Cogeneración, S.A.	1,147	-	504	1,651
STE - Sul Transmissora de Energía, Ltda.	10,028	3,536	604	14,168
Telvent GIT, S.A.	48,469	(49)	3,241	51,661
Teyma Uruguay, S.A.	390	53	82	525
Consolidated Befesa	1,507	(176)	(797)	534
Consolidated Bioenergía	648	109	65	822
Consolidated Telvent GIT	2,791	1,689	2,108	6,588
Eliminations NIIF	(10,997)	1,400	2,091	(7,506)
Total	**109,067**	**9,627**	**12,477**	**131,095**

Other movements include the effects of the share changes in the different companies and the translation differences affecting the companies located outside Spain.

21.2. The list of companies/entities outside the group with a shareholding equal to or higher than 10% of the capital of any subsidiary company included in the consolidation perimeter is as follows:

Company in which the shares are held	Shareholder	% Holding
Abecnor Subestaciones, S.A. de C.V.	Elecnor, S.A.	50.00
Alianza Befesa Egmasa, S.L.	Egmasa. Empresa de Gestión Medioambiental, S.A.	50.00
Befesa Desulfuración, S.A.	Fertiberia, S.A.	10.00
Biocarburantes de Castilla y León, S.A.	Ebro Puleva, S.A.	50.00
Bioener Energía, S.A.	Ente Vasco de la Energía	50.00
Bioetanol Galicia, S.A.	Sodiga Galicia, Sociedad Capital Riesgo, S.A.	10.00
Construcciones Metálicas Mexicanas, S.A. de C.V.	Cía. Española de Financiación del Des., Cofides, S.A.	24.40
Donsplav	Scarp	49.00
ETBE Huelva, S.A.	Cepsa (Cía. Española de Petróleos, S.A.)	10.00
Europea de Construcciones Metálicas, S.A.	Tractebel España, S.A.	50.00
European Tank Clean Company (ET2C)	Sodi	49.97
Explotaciones Varias, S.A.	Layar Castilla, S.A.	50.00
Fotovoltaica Solar Sevilla, S.A.	IDAE	20.00
Galdán, S.A.	Fagor Ederlan Coop. Ltda.	50.00
Inapreu, S.A.	Preufet, S.A.	50.00
Iniciativas Hidroeléctricas, S.A.	Suma de Energías, S.L.	45.00
Intersplav	Donets Non-Ferrius Metals Research Institute	43.16
Líneas Baja California Sur, S.A. de C.V.	Elecnor, S.A.	50.00
Nordeste Transmissora de Energía, S.A. (NTE)	Dragados Industrial, S.A.	49.99
Procesos Ecológicos, S.A. (Proecsa)	Global Plasma Environment, S.A.	49.99
Residuos Sólidos Urbanos de Ceuta, S.L. (Resurce)	Esys Montenay España, S.A.	50.00
Sainsel Sistemas Navales, S.A.	Saes Capital, S.A.	50.00
Sniace Cogeneración, S.A.	Bosques 2000, S.L.	10.00
STE – Sul Transmissora de Energía, Ltda.	Controles y Montajes	49.90
Subestaciones 615, S.A. de C.V.	Elecnor, S.A.	50.00
Subestaciones Baja California Sur, S.A. de C.V.	Elecnor, S.A.	50.00
Telvent GIT, S.A.	CEDE & Co.	31.99

Note 22. Loans and Borrowing.

22.1. The loans and borrowing are as follows:

Non-current	**Balance as of 31/12/05**	**Balance as of 31/12/04**
Loans with banks	530,002	529,456
Obligations and other loans	134,198	120,345
Liabilities from financial leasing	22,701	14,997
	686,901	664,798
Current	**Balance as of 31/12/05**	**Balance as of 31/12/04**
Loans with banks	166,699	61,646
Obligations and other loans	28,059	7,775
Liabilities from financial leasing	8,462	9,157
	203,220	78,578
Total outside resources	**890,121**	**743,376**

Of this amount, there are debts in foreign currency amounting to € 42,982 thousands (€ 35,907 thousands in 2004), all of which correspond to companies resident abroad (See Note 22.5).

In addition to the amounts shown in the table in the "Suppliers and other payable accounts" heading of the liabilities of the balance sheet, the payable accounts are recorded for an approximate amount of € 68 million at 31 December 2005 (€ 44 million in 2004) which are implemented through the financial concept of "Confirming without resource" in accordance with the contract signed with various banks, in the cases in which the companies in the group receiving the "confirming" had advanced the collection of the bills.

22.2. The cancellation of the bank credits and loans is scheduled in accordance with the following calendar:

2006	**2007**	**2008**	**2009**	**2010**	**Subsequent**	**Total**
166,699	23,161	4,294	1,619	167,905	333,023	696,701

The maturities for the year 2010 and subsequent include a long-term syndicated financing operation signed on 20 July 2005, awarded to Abengoa, S.A., comprising a loan amounting to € 500,000 thousands guaranteed by certain part owned companies of the industrial construction and engineering business groups, bioenergy and environmental services and a line of credit of € 100,000 thousands. The loan has a term of seven years and the repayment of the capital is to begin as from the year 2010. The finance is for investments in projects and other investments in companies to enable the extension of the group's businesses and lines of activity. Traditionally, Abengoa maintains this line of long-term finance within the conditions agreed with the banks, which implies the compliance with certain terms and conditions agreed by and between the parties and which are commonplace in this type of financial transaction.

In addition, the company has access to a total number of short-term lines of credit which enable the provision of funds amounting € 100 million approximately. At the end of the financial year, the amount available is 100% of the same.

22.3. The amount corresponding to financial expenses with banks due totals € 2,087 thousands (€ 2,049 thousands in 2004), included in the "Short-term debts with banks" heading.

22.4. There are no debts with a real mortgage guarantee at 31 December.

22.5. The exchange value by currencies of the most significant debts in foreign currencies maintained by the companies in the group with banks is as follows:

	31/12/05		31/12/04	
	Companies Resident		Companies Resident	
Currency	**Abroad**	**Spain**	**Abroad**	**Spain**
Dirhams (Morocco)	8,124	-	1,089	-
Dollar (Canada)	2,684	-	-	-
Dollar (USA)	4,866	-	1,964	-
Peso (Argentina)	1,907	-	1,165	-
Peso (Chile)	29	-	23	-
Peso (Mexico)	6,470	-	5,789	-
Peso (Uruguay)	3,536	-	410	-
Real (Brasil)	14,555	-	25,192	-
Sol (Peru)	115	-	5	-
Yuan (China)	696	-	270	-
Total	**42,982**	**-**	**35,907**	**-**

22.6. The average rate of credit transactions is within the market rates in each country in which each transaction is formalised.

22.7. The liabilities from financial leasing are as follows:

	Balance as of 31/12/05	Balance as of 31/12/04
Financial leasing liabilities minimum payments per lease:		
- Short-term	8,077	13,812
- Long-term	21,644	8,434
Future financial charges for financial leasing	1,442	1,908
Current value of liabilities for financial leasing	**31,163**	**24,154**

22.8. The "Obligations and other loans" heading includes the sale and leaseback transactions carried out by the subsidiary company Abengoa Bioenergy Corporation as follows:

- Sale and Leaseback York plant. Initial amount $ 56.8 M. Carried out with General Electric Capital Corporation (48.72%) and with the Bank of America Leasing Corporation and Merrill Lynch Leasing (51.28%).

- Sale and Leaseback Colwich plant. Amount $ 27.7 M. Carried out with Bank of America Leasing Corporation (26.30%) and Merrill Lynch Leasing (73.70%).

In accordance with the accounting methods adopted, despite the fulfilment of the mathematical criteria required by comparable standards and the criteria based on the negotiation of the transaction by the intervening banks and despite having transferred 100% of the fixed assets at the plants, the net book value of the affected assets is maintained in the assets of the consolidated balance.

Although, for operating reasons, the transaction has been formalised through the subsidiary company ABC, from the consolidated viewpoint of the group, it implies the transfer of the asset and the payment of a regular rent during the corresponding period of use. In this situation, Abengoa is responsible for the future payments accepted over the next 8 years (York) and 10 years (Colwich) for the rent of the asset, its use and exploitation, which shall represent an average annual repercussion of approximately $ 8.81 M (€ 7.47 M), as it is considered an operative expense necessary for the development of the activity, as well as the maintenance of the plant in optimum working conditions and remaining as the operator of the plant should the purchase option not be exercised.

Although it is not obliged to exercise it, the entity has the option for repurchasing the installations within a certain term or at the end of the period at market price. If ABC or the Abengoa group were to decide not to exercise the said option, the group undertakes to provide the solution which is applied by the lessor to enable the transfer of the asset to third parties or its disposal or management in any other way.

The administrators understand that the non-consideration of these leases as financial would represent a truthful image of the financial situation of the entity and the consolidated group, bearing in mind the corporate business strategy, the argument used in the transaction by their participating banks and, in particular, the fact that there is no commitment by the company to the exercise of the purchase option over the assets, nor can it be considered that the conditions of the transaction do not involve reasonable doubt that the said transaction will take place.

Furthermore, this "Obligations and other loans" heading includes the balances payable in the long term to official entities (Ministry of Industry and Energy, and others) by virtue of the return of subsidised loans, without interest, awarded for research and development projects. At the end of the 2005 financial year, the amount for this item totals € 32,039 thousands.

No 23. Deferred Taxes.

The movements during the 2004 and 2005 financial years in assets and liabilities due to deferred taxes were as follows:

Assets for deferred taxes	**Amount**
At 1 January 2004	85,396
Increase / Decrease due to income statement	32,118
Increase / Decrease due to equity	-
Other Movements	2,450
At 31 December 2004	**119,964**
Increase / Decrease due to income statement	308
Increase / Decrease due to equity	(1,422)
Other Movements	17,981
At 31 December 2005	**136,831**

Liabilities for deferred taxes	**Amount**
At 1 January 2004	42,400
Increase / Decrease due to income statement	12,530
Increase / Decrease due to equity	-
Other Movements	14,602
At 31 December 2004	**69,532**
Increase / Decrease due to income statement	(17,073)
Increase / Decrease due to equity	-
Other Movements	(3,132)
At 31 December 2005	**49,327**

The assets for deferred taxes charged to the net assets during financial years 2004 and 2005 correspond entirely to the results of the interest rate contracts for the operations of cash flow coverage.

The assets for deferred taxes basically corresponds to tax credits for negative taxable amounts pending in the sum of approximately € 20 million, tax credits for deductions pending in the sum of € 48 million, as well as deductions of € 12 million arising out of the consolidation process. In addition, the application of IAS has generated an amount of taxes advanced for approximately € 36 million, mostly corresponding to the adjustments made in accordance with IFRS 1 (See Note 5).

The liabilities for deferred taxes correspond to consolidation adjustments and the application of IFRS basically because of re-appraisals as explained in Note 5.

No 24. Provisions and other Liabilities.

The movement of the heading "Risk and expenses funds" for the 2004 and 2005 financial years is as follows:

Item	Balance as of 01/01/04	Increases	Decreases	Other movements	Balance as of 31/12/04
Funds for other liabilities and expenses	22,221	38,492	(9,854)	(13,999)	36,860

Item	Balance as of 01/01/05	Increases	Decreases	Other movements	Balance as of 31/12/05
Funds for other liabilities and expenses	36,860	16,485	(4,377)	(1,266)	47,702

At the end of the financial year, appropriations to the fund totalled € 16,485 thousands, with a view to providing heading for risks inherent to the evolution of the business in Latin-America, for risks related to projects currently under development in the form of research and development or similar and for specific risks for fiscal contingencies or that could arise as a consequence of arbitration or judicial proceedings posed by Abengoa in businesses outside Spain, in which, in the opinion of the administrators and the legal advisers, Abengoa has sufficient arguments for the amounts claimed being recognised in its favour and for the dismissal of possible counterclaims.

In the financial year, funds totalling € 4,377 thousands (provided in previous financial years) have been applied in the understanding that, although the administrators and legal advisers considered that Abengoa has sufficient arguments for the claimed amounts being recognised in its favour, the delayed terms for the resolution of the claims recommend their classification as possible contingent assets, proceeding with the application of the fund; in the event of materialisation and collection of the claims, they would be recorded as income for the year.

Note 25. Other Operating Income.

The "Other operating income" heading of the consolidated income statement corresponds to Income from subsidies to operation and all the other income not included in other income headings. The details are as follows:

Item	Amount at 31/12/05	Amount at 31/12/04
Income from Various Services	31,351	12,239
Official capital grants	4,232	5,254
Others	121	2,041
Total	**35,704**	**19,534**

Note 26. Personnel Expenses.

Personnel expenses at the end of the 2004 and 2005 financial years are as follows:

Item	Amount at 31/12/05	Amount at 31/12/04
Wages ans salaries	268,527	222,014
Welfare charges	55,866	49,620
Stock plans	1,515	2,453
Total	**325,908**	**274,087**

Note 27. Other Operating Expenses.

The "Other operating expenses" at the end of the financial years are as follows:

Item	Amount at 31/12/05	Amount at 31/12/04
Outside services	286,492	243,522
Taxes	17,186	12,407
Other Management Expenses	31,297	4,597
Total	**334,975**	**260,526**

Leasing and charges amounting to € 46,038 thousands (€ 39,429 thousands in 2004), transport amounting to € 16,926 thousands (€ 27,953 thousands in 2004), independent professional services amounting to € 67,344 thousands (€ 65,593 thousands in 2004), advertising amounting to € 3,989 thousands (€ 3,366 thousands in 2004) and other services amounting to € 55,223 thousands (€ 44,877 thousands in 2004).

Note 28. Financial Income and Expenses.

Financial income and expenses at the end of the 2004 and 2005 financial years are as follows:

Financial expenses	Amount at 31/12/05	Amount at 31/12/04
Interest expense		
- Loans with banks	(48,201)	(38,645)
- Other debts	(21,043)	(13,747)
Losses of financial assets at fair value	(1,165)	(5,413)
Losses interest-rate contracts: Cash flow cover	-	-
Losses interest-rate contracts: Cover of the fair value	-	(5,908)
Total	**(70,409)**	**(63,713)**

Financial income	Amount at 31/12/05	Amount at 31/12/04
Income from debt interest	2,780	3,140
Profits from financial assets at fair value	18,528	-
Profits from interest-rate contracts: Cash flow cover	-	-
Profits from interest-rate contracts: Cover of the fair value	1,401	-
Total	**22,709**	**3,140**

Net Financial Expenses	**(47,700)**	**(60,573)**

Note 29. Net Exchange Differences.

Net exchange differences at the end of the 2004 and 2005 financial years are as follows:

Financial expenses	**Amount at 31/12/05**	**Amount at 31/12/04**
Losses from transactions in foreign currency	(23,006)	(20,838)
Losses exchange rate contracts Cash flow cover	-	-
Losses exchange rate contracts Cover of the fair value	(4,002)	(6,656)
Total	**(27,008)**	**(27,494)**

Financial income	**Amount at 31/12/05**	**Amount at 31/12/04**
Profits from transactions in foreign currency	23,850	19,609
Profits exchange rate contracts Cash flow cover	-	-
Profits exchange rate contracts Cover of the fair value	1,463	1,389
Total	**25,313**	**20,998**

Net Exchange Differences	**(1,695)**	**(6,496)**

Note 30. Other net Financial Income / Expenses.

The "Other net financial income/expenses heading" at the end of the 2004 on 2005 financial years is as follows:

Other financial expenses	**Amount at 31/12/05**	**Amount at 31/12/04**
Losses from the sale of financial investments	(43)	(117)
Other financial losses	(33,720)	(21,831)
Losses inventory contracts: Cash flow cover	-	-
Losses inventory contracts: Cover of the fair value	-	(638)
Total	**(33,763)**	**(22,586)**

Other financial income	**Amount at 31/12/05**	**Amount at 31/12/04**
Profits from the sale of financial investments	8,170	12
Income on shareholdings	3,989	3,579
Other financial income	11,604	7,770
Profits inventory contracts: Cash flow cover	-	-
Profits inventory contracts: Cover of the fair value	638	-
Total	**24,401**	**11,361**

Other net financial income/expenses	**(9,362)**	**(11,225)**

Note 31. Operating Leases.

The future minimum payments to be made by the non-cancellable operating leases at the end of 2005 financial year is as follow:

Item	Balance as of 31/12/05
Short-term	306,737
Long-term	963,131
Total	**1,269,868**

Note 32. Corporate Income Tax.

Corporate income tax at the end of the 2004 and 2005 financial years is as follows:

Item	Amount at 31/12/05	Amount at 31/12/04
Current tax	48,953	12,080
Deferred tax (Note 23)	(17,381)	(19,588)
Total	**31,572**	**(7,508)**

The tax on the group's pre-tax profits differs from the theoretical amount that would have been obtained by using the average weighted tax rate applicable to the profits of consolidated companies. This difference at the end of the 2004 and 2005 financial years is as follows:

	Amount at 31/12/05	Amount at 31/12/04
Profit before taxes	**110,53**	**52,691**
Tax calculated at national tax rates applicable to profits in the respective countries	19,859	10,661
Tax-free result	**129,912**	**63,352**
Permanent differences	12,522	(26,023)
Tax credits and un recognized deductions in previous years	(2,568)	(2,815)
Tax expenses	**48,953**	**12,080**

Note 33. Earnings per Share.

The basic earnings per share are calculated by dividing the profits attributable to the company's shareholders by the average weighted number of ordinary shares in circulation during the financial year. No own shares are maintained in the possession of the company or its subsidiaries (See Note 2.13).

Item	Amount at 31/12/05	Amount at 31/12/04
Profits attributable to the company's shareholders	66,004	52,750
Weighted average number of ordinary shares in circulation (thousands)	90,470	90,470
Basic earnings per share (€ per share)	**0.73**	**0.58**

There are no factors which modify the amount of the basic earnings per share.

Note 34. Dividends per Share.

The dividends paid in June 2005 and June 2004 totalled € 12,666 thousands (€ 0.14 per share) and € 12,666 thousands (€ 0.14 per share), respectively. In the general shareholders meeting of 9 April 2006, a dividend per share of € 0.15 is to be proposed with regard to 2005, which will represent the total dividend of € 13,570 thousands. These consolidated financial statements do not show this dividend.

Note 35. Contingencies.

At the end of the financial year, the total amount of the guarantees with third parties totals € 419,422 thousands (€ 444,258 thousands in 2004), corresponding to guarantees and surety bond insurance in guarantee of the compliance with the obligations undertaken in contracted works, tenders and with regard to subsidies received.

As deposits for various transactions with financial entities (excluding the syndicated loan of Abengoa, S.A. referred to in Note 22), at 31 December 2005, there are guarantees between companies in the group totalling € 804,604 thousands (€ 590,437 thousands in 2004), with an amount of € 438,037 thousands (€ 315,578 thousands in 2004) corresponding to transactions outside Spain involving both foreign companies and Spanish companies in operations abroad.

At the end on 31/12/2005, Abengoa and its group of companies support claims and legal controversies in their favour and against their favour, as a natural consequence of their business and economic and technical claims that the parties to a contract usually file against each other. The most significant of these claims is currently substantiated abroad and refers to a contract for the repowering of electricity generation units which, for various reasons, has been cancelled group company that won the contract as a consequence of its impossible execution as defined as a result of the client's failure, in time and form, to obtain the administrative permits required for the works.

As a consequence of the above. the company winning the tender claimed substantial economic amounts not recognised in the attached financial statements or in those prepared in previous financial years, due to their consideration as contingent assets. The said claims were finally counterclaimed in 2003 by the customer, including intangible losses and claims for indirect damages much higher than the total amount of the original contract (around $ 200 M). The administrators of Abengoa anticipate that this disagreement may be resolved appropriately in a reasonable period of time and therefore understand that it does not constitute liabilities susceptible to recognition in the books. The said opinion is corroborated by the company's legal advisers, especially regarding the limitation laid down in the contract of exclusion of liability for indirect damages and the limitation for direct damages.

Note 36. Other Information.

36.1. Fixed assets allocated to electrical activities.

The balances of intangible, tangible and financial fixed assets both in general and with regard to projects, allocated to electrical activities as per Note 2.22 are as follows:

Activity	Balance as of 31/12/04	Increase	Decreases	Other movements	Balance as of 31/12/05
Special production: Cogeneration	179,049	30,026	(8,942)	16,239	216,372
Special production: Hydraulics	8,216	-	(9)	-	8,207
Special production: Other	10,046	28	(1)	83,855	93,928
Transport	255,636	159,532	(28,327)	194,906	581,747
Costs Spanish companies	214,980	39,235	(8,952)	100,094	345,357
Costs foreign companies	237,967	150,351	(28,327)	194,906	554,897
Total Cost	**452,947**	**189,586**	**(37,279)**	**295,000**	**900,254**

Activity	Balance as of 31/12/04	Increase	Decreases	Other movements	Balance as of 31/12/05
Special production: Cogeneration	(77,548)	(3,738)	2,132	(4,440)	(83,594)
Special production: Hydraulics	(247)	(264)	-	-	(511)
Special production: Other	(5,502)	(458)	-	(47,724)	(53,684)
Transport	(8,927)	(6,189)	-	4,248	(10,868)
Accumulated depreciation Spanish companies	(83,297)	(4,460)	2,132	(52,164)	(137,789)
Accumulated depreciation foreign companies	(8,927)	(6,189)	-	4,248	(10,868)
Total accumulated depreciation	**(92,224)**	**(10,649)**	**2,132**	**(47,916)**	**(148,657)**
Net amount	**360,723**				**751,597**

Other movements correspond basically to the entry into the consolidation perimeter of the company ATE II, as well as the adaptation of both percentages of company shareholdings and initial balances for the year.

The total amount allocated to electrical activities it is broken down in Fixed assets in projects and other fixed assets as follows:

	Balance as of 31/12/05	**Balance as of 31/12/04**
Fixed assets in projects	690,001	355,351
Other fixed assets	61,596	5,372
Total	**751,597**	**360,723**

The balances of No-recourse Financing Applied to Projects allocated to electrical activities as per Note 2.23 are as follows:

	Balance as of 31/12/05	Balance as of 31/12/04
Short-term bank debts	36,029	44,314
Long-term bank debts	290,552	188,846
Total	**326,581**	**233,160**

The balances of No-recourse Financing in Progress allocated to electrical activities as per Note 2.23 are as follows:

	Balance as of 31/12/05	**Balance as of 31/12/04**
Short-term bank debts	246,379	113,596
Long-term bank debts	-	-
Total	**246,379**	**113,596**

36.2. <u>Average number of employees</u>.

The average number of employees during the 2004 and 2005 financial years, separated into categories, is as follows:

	Average Number		**Average Number**	
Categories	**2005**	**%**	**2004**	**%**
Senior Manager	388	3.50	346	3.70
Middle Manager	1,117	10.10	939	10.10
Engineers and Uni. Graduates	1,613	14.50	1,217	13.00
Skilled and Semi-skilled	1,416	12.80	1,289	13.90
Laborers	6,548	59.10	5,527	59.30
Total	**11,082**	**100.00**	**9,318**	**100.00**

The mean number of staff is split between Spain (54%) and abroad (46%).

To gather this information, all the entities that form part of the consolidation perimeter have been considered, exclusively in the cases in which the full consolidation or proportional consolidation method is applied for the purposes of preparing the consolidated accounts.

36.3. Relations with associated companies.

The account Abengoa maintains with Inversión Corporativa I.C., S.A., at the end of the 2004 and 2005 financial years has a zero balance.

The dividends distributed to associated companies during the year have totalled € 7,098 thousands (€ 7,098 thousands in 2004).

The transactions completed during the 2004 and 2005 financial years with significant shareholders additional to the purchase of the land as per Note 8.4 are as follows:

- Constitution of a land right by Explotaciones Casaquemada, S.A. (a subsidiary company of Inversión Corporativa, I.C., S.A., a shareholder of reference in Abengoa) in favour of Fotovoltaica Solar Sevilla, S.A. (a subsidiary company of Abengoa), by virtue of a public deed dated 24 December 2004, for an initial term of 30 years, over a plot of land of 12 ha, for an accumulated charge for the entire term of € 216.4 thousands, used for the development, construction and operation by Fotovoltaica Solar Sevilla, S.A. of a photovoltaic solar plant of 1.2 MW.

36.4. Salaries and other payments.

The post of member of the board is paid in accordance with the provisions laid down in article 39 of the articles of association. The payment of the administrators can consist of a fixed amount agreed in the general shareholders meeting, which does not have to be the same for each one. Similarly, they may receive a share in the profits of the company of between 5 and 10% of the annual profits once the dividend corresponding to the financial year in question has been paid out, together with compensation for travel expenses related to work entrusted by the board.

The payments made during the financial year 2005 to the members of the board of directors and to the advisory board of the board of directors of Abengoa, S.A. have totalled € 930 thousands (€ 786 thousands in the financial year 2004) for allowances and salaries and € 233 thousands (€ 296 thousands in the 2004 financial year) for other items.

In addition, during the 2005 financial year, the payments made to the top-level management of the company, considering the inclusion of 15 people that constitute the presidency, strategy committee and management team, have totalled € 5,519 thousands (€ 4,842 thousands in the 2004 financial year) for both fixed and variable items.

There are no advance payments or credits awarded to the members of the board nor obligations assumed with them as guarantees.

There is a commitment for pensions awarded during the 2005 and 2004 financial years for a value totalling € 1,059 thousands.

36.5. 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 border 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 2005 or 2004.

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 Terceiro Lomba	U.Fenosa	Member of the board
35203147	José Terceiro Lomba	Iberia	Member of the board, member of the executive commission
35203147	José Terceiro Lomba	Grupo Prisa	Member of the board, chairman of the audit committee
2191423	Ignacio de Polanco Moreno	Grupo Prisa	Adviser

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 31/12/05 are as follows:

	Direct %	**Indirect %**	**Total %**
Felipe Benjumea Llorente	0.059	-	0.059
Javier Benjumea Llorente	0.002	-	0.002
José Joaquín Abaurre Llorente	0.003	-	0.003
José Luis Aya Abaurre	0.061	-	0.061
José B. Terceiro Lomba	0.111	0.111	0.222
Ignacio de Polanco Moreno	-	-	-
Daniel Villalba Vilá	0.003	-	0.003
Carlos Sebastián Gascón	-	-	-
Mercedes Gracia Díez	0.0005	-	0.0005
Total	**0.2395**	**0.111**	**0.3505**

36.6. Auditors' fees.

During the financial year 2005, fees were paid amounting to € 2,063 thousands (€ 1,656 thousands in 2004) for the financial audits that include the audit at the end of the year and the regular review of information and the audit under the US Gaap criteria of the company listed in the USA. Of the said amount, € 1,360 thousands correspond to the main auditor of the group PricewaterhouseCoopers (€ 1,193 thousands in 2004).

Furthermore, in the financial year 2005, € 564 thousands have been paid to auditing firms for other work, basically for the implantation of the requirements of the Sarbanes-Oxley Law. € 84,000 corresponds to the main auditor.

In the 2004 financial year, € 2,787 thousands were paid to auditing firms for other work. Of this amount, € 2,310 thousands correspond to the work carried out by PricewaterhouseCoopers related to the floating of Telvent GIT, S.A. and the rest, amounting to € 477 thousands, corresponds mainly to the work related to the implantation project for the IAS in Abengoa, due diligence work and other minor activities. Of this amount, a total of € 135 thousands corresponds to the main auditor.

36.7. Environmental information.

One of the business groups of Abengoa focuses its activity on the provision of environmental services, such as the recycling of waste, industrial cleaning and environmental engineering.

Befesa, the head company of the said business group, provides the consolidated financial statements of Abengoa for the 2005 and 2004 financial years with assets totalling € 513,912 and € 485,157 thousands, sales of € 402,403 and € 357,762 thousands and attributable results of € 16,085 and € 14,898 thousands related to the environmental activity.

At the end of the 2005 financial year, Abengoa estimates that there are no environmental risks that require additional funds.

It is Abengoa's objective for all its companies to obtain certificates for its environmental management systems. The use of treatment techniques with guarantees for environmental quality has been officially recognised through environmental management certificates (ISO 9001, ISO 14001 and EMAS). As a consequence of the above, at the end of the 2005 financial year, quality management systems compliant with the ISO 9001 have been attained for 92% of the companies of Abengoa; similarly, there are environmental management systems certified as compliant with the ISO 14001 for 74% of the companies.

The distribution of the percentages of the companies certified in quality and the environment by business group is as follows:

Business group	**% companies certified as compliant with the ISO 9001**	**% companies certified as compliant with the ISO 14001**
Information Technologies	92 %	77 %
Industrial construction and engineering.	96 %	65 %
Environmental services.	89 %	78 %
Bioenergy	80 %	60 %

The Spanish companies of the bioenergy group, Ecocarburantes Españoles, S.A. and Bioetanol Galicia S.A., have developed and implanted a comprehensive quality, environment and occupational hazard prevention management model, and have been certified by an international body in 2004. The North American company Abengoa Bioenergy Corp. is governed by local standards which have greater influence in its production area.

As tools for improving the management of the quality and environment Systems, a new version of two computer applications has been installed in almost all the companies in the group: for the management and resolution of problems (IRP) and for processing improvement actions (AM).

36.8. Post-balance-sheet event.

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 at a price of € 16.30 per share in the agreement signed in December 2002 by and between Abengoa 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 by the Board of Directors 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.