Consolidated Management Report for the Year 2006

(Free translation from the original in Spanish)

Consolidated Management Report for the Year 2006

1.- Introduction.

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

Abengoa, S.A. is an industrial and technological company that, at the end of the year 2006, held a group formed by the following companies: the parent company itself, 273 subsidiaries, 26 associated companies and 2 Joint Ventures. Likewise, the differente companies in the Group take part in 277 Temporary Consortiums. In addition, the Group companies owns shareholdings of less than 20% in other companies.

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

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

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

In addition to the printed edition, the mentioned Annual Report will be available in Internet, at the address www.abengoa.com.

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

Abengoa has therefore introduced a new website since the end of the first quarter 2002, characterised firstly by a more direct, rapid and efficient on-screen presentation and secondly by a broad and comprehensive information content and documentation made available to the shareholders in particular and to the general public.

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

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

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

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

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

According to the data supplied to Abengoa by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores S.A. (Securities Recording, Clearing and Settlement Management Company) for the last General Ordinary Meeting held on 9 April 2006, Abengoa, S.A. had 6,663 shareholders.

As on December 31, 2006, the company believes the free float to be 43.96% if the shareholding of Inversión Corporativa I.C., S.A. and its subsidiary Finarpisa (56.04%) is deducted.

According to the figures supplied to the company by Sociedad Rectora de la Bolsa de Valores de Madrid (Governing Body of the Madrid Stock Exchange) 118,874,315 shares were traded in 2006. The average volume of daily trading over the year was 468,009 securities. Minimum, maximum and average listed share prices in 2006 were 12.35 €, 29.98 € and 20.79 € respectively. The last closing price quoted for Abengoa shares in 2006 was 27.81 €, 124% higher than on December 31, 2005, and 1,207% higher than the share price established for the Public Offering on November 29, 1996.

1.4. "Utilizing solar energy, biomass, wastes, information technologies, and engineering, Abengoa applies technological and innovative solutions for sustainable development"

The rational use of natural resources and our concern for ensuring that future generations may be able to use them as we ourselves have done is Abengoa's roadmap for the future. Moreover, as far as Abengoa is concerned, what is known nowadays as sustainable development does not exclusively mean preservation of the environment. Abengoa goes beyond that vision and raises its commitment to the social and human side of things.

In Abengoa, we have come to understand that our traditional engineering activity is nothing more than a valuable tool by which we can build a more sustainable world. In addition, over the past decade Abengoa's strategic plan has been much more intense and this is clearly demonstrated by the fact that we have undertaken an array of activities, among which the following are of note:

Solar

- In 2006, construction was completed on the world's largest tower and heliostat field technology 11 MW solar thermal power plant, and on a 1.2 MW double concentration photovoltaic power plant. These plants are located in the municipal district of Sanlucar la Mayor (Seville, Spain) and are part of a future platform of solar thermal and photovoltaic power plants that will eventually produce more than 300 MW.

Abengoa is the leader on the home market in electricity generation from solar energy, with a development plan for more than 300 MW over the next few years

«With the sun... we produce thermoelectric and photovoltaic electric energy»

Bioenergy

- In 2000, start-up of the first Bioethanol facility in Spain with an initial production capacity of 100 M liters/year currently 150 M liters/year), which required a 93.8 M € investment.

- In 2002, acquisition of High Plains Corporation (now Abengoa Bioenergy Corporation), the fifth largest bioethanol producer in the United States (current production capacity of 108 M gal/year), by means of a 100 M € takeover bid. Start-up of the second Bioethanol facility in Spain (Bioetanol Galicia), with a 126 M liters/year production capacity (currently 176 M liters/year), which required a 92.1 M investment.

- Also in 2002, Abengoa was awarded by the United States Department of Energy (DOE) of an R&D&I project to enhance ethanol production process technology, utilizing biomass to improve the economy of process and increase energy yield from ethanol production and, thereby, reduce the production cost thereof and make it more competitive with gasoline. The total investment, co-funded by the DOE, is 35.4 M $US, from 2003 to 2006.

- In 2003, commencement of the construction of the third Bioethanol facility in Spain, in Babilafuente, which produce 200 M liters/year of Bioethanol for direct blending in gasoline. The plant began production in 2006, and an additional plant is now under construction, with capacity of 5 million litres/year for the production of bioethanol from biomass, which will be the first of these characteristics in the world.

- In 2005, commencement of the construction of the fourth bioethanol facility in Nebraska (US) which will produce 330 million liters per year and will be one of the biggest in the US. Agreement with Cepsa for the construction of a biodiesel production plant on the lands of Cepsa's "Gibraltar" Refinery, in San Roque (Cadiz).

- In 2006, work commenced on the construction, in Lacq (France) of a 250 million liter/year capacity ethanol production plant. It will be Europe's first corn-based ethanol production facility, something that is very common in the US.

Abengoa is Europe's largest bioethanol producer and fifth in the US.

«With biomass... we produce ecologic fuels and animal feed»

Environmental Services.-

- In 2000, a 300 M € investment to acquire Befesa through a takeover bid.

- Recently, during the last quarter of 2006, Befesa acquired the company B.U.S., Europe's largest industrial waste recycler.

- Abengoa has increased desalination capacity to more than 1,000,000 m3/day, which will enable supply for a population of 4.8 million.

Abengoa is international leader in industrial waste treatment and environmental engineering.

«With wastes... we produce new materials by recycling, and we also treat and desalt water to achieve a sustainable globe»

Information Technologies

- The technologies developed by Telvent allow high-performing companies to make real-time business decisions utilizing data acquisition and control systems and advanced operational applications that provide secure actionable information delivery to the enterprise in four industry segments considered essential for sustainable development: Energy, Traffic, Transport and the Environment.

- In 2003, Telvent acquired Metso Corporation's Network Management Solutions Division, now called Telvent Canada and Telvent USA, which put Telvent in a leading position at international level in the Real-Time Control and Information Systems market for the oil, gas, and electricity sectors, and for the water sector.

- In 2004, in order to facilitate the continuity of the expansion strategy for the Information Technology activity, while also increasing its potential through the development of R&D&I activities, Telvent GIT commenced its effective listing on the American NASDAQ technological market. In the same year, the North American company Miner & Miner Consulting Engineers Incorporated (M&M), one of the world leaders in the development and implementation of Geographic Information Systems (GIS) software, was acquired.

- In 2005, the Perth based Australian company Almos Systems (now Telvent Australia), a leading provider of meteorological solutions, was acquired.

- In 2006, work continued under the strategy adopted several years ago with the acquisition of Blue Shield, PB Farradyne, and Maexbic.

Abengoa is international leader in the energy, traffic, transport and environment sectors

«With Information Technology… we transform data into knowledge, providing effective operational and business real-time decision making for traffic, transport, energy and environment»

Industrial Engineering and Construction.-

- In Abengoa, we have come to understand that out traditional engineering activity is nothing more than a valuable tool by which we can build a more sustainable world. Many of the engineering products we develop are focused on sectors related with renewable energies, biofuels, industrial waste management and desalination.

- We are putting our trust in improving energy efficiency through cogeneration power plants. Abengoa produces more than 2,000,000 MW/h per year by this method.

- In 2006, with the aim of strengthening our sustainable energy project execution capacity, the Poland based company Energoprojekt Gliwice, dedicated to engineering and consultancy services in the energy and industry sectors was acquired.

Abengoa is the leader in Industrial Engineering and Construction projects in Spain and Latin America.

«With engineering... we construct and operate conventional and renewable energy power plants, power transmission systems and industrial infrastructures»

1.5. Current configuration and nature of its business.

There are two types of products in Abengoa:

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

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

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

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

It provides solutions for:

- **Sustainable development:**

  - ✓ Abengoa produces 619 million liters of ethanol per year which prevents the emission of 1,691,486 tons of CO_2 to the atmosphere, which is approximately equivalent to the annual emissions from a fleet of 700,000 vehicles.
  - ✓ Abengoa produces 2,000,122 MW/h per year of electricity from cogeneration, which means the prevention of the emission of 983,963 tons of CO_2 were this energy to be produced by conventional carbon thermoelectric power plants.
  - ✓ Abengoa has a production plan for more than 300 MW of electric energy using the sun, equivalent to the annual consumption by a population of 500,000, which will prevent the emission of 742,900 tons of CO_2 per year.
  - ✓ Abengoa treats more than 2,536,140 tons of industrial wastes, dedicating them to the production of new materials through the recycling of more than 1,297,000 tons.
  - ✓ Abengoa has increased desalination capacity to more than one million cubic meters a day, which will enable supply for a population of 4.8 million.

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

  - ✓ Manage more than 60% the movements of hydrocarbons in pipelines in North and Latin America.
  - ✓ Transport and distribute more than 140,000 GW/h that provide electricity for a population of more than 80 million.
  - ✓ Control vehicle traffic at more than 6,000 intersections that are used by more than 170 million people per day.
  - ✓ Manage the displacements of more than 2,500 million passengers per year on train and metro networks.
  - ✓ On a yearly basis, provide real-time traffic information on the state of roads and traveling times in response to 405,000 telephone enquiries and 5,000,000 monthly website visits.
  - ✓ Provide landing and take-off security and efficiency for more than 700 million passengers a year at more than 150 airports all over the world.
  - ✓ Manage water distribution for a population of more than 30 million throughout Europe, North America, Latin America and the Middle East.
  - ✓ Monitor and report on the quality of the air inhaled by more than 20 million people in Europe and Latin America.
  - ✓ For more than 30 million European citizens, facilitate access and e-business management with their public administrations and with other organizations and institutions.

✓ Reduce the patient waiting list by 15% in more than 250 health centers managed by more than 40,000 Health professionals.

✓ Verify the integrity and veracity of the passports of more than 18 million passengers per year.

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

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

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

- **Infrastructure Creation:**

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

✓ Abengoa possesses 4,406 km of high-voltage lines under concession contracts in Latin America, with a capacity of more than 22,700 MW, equivalent to the annual needs of a population of 24.5 million.

✓ In Spain, in 2006, Abengoa has installed almost 140,000 new ADSL lines that allow more than 600,000 people to have broadband access to new value-add services.

✓ In 2006, Abengoa conducted maintenance works, in Spain, on approximately 2,275,000 telephone lines (voice, data and video) with 24-hour SLA, providing coverage to some 5 million subscribers (11% of the population)

1.6. Consolidated sales at 31/12/06 were 2,677.2 M €, a 32.3% increase on the previous year.

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

Sales M €			
	2006	**2005**	**% Variación (06-05)**
- Bioenergy	476.2	392.7	21.3
- Environmental Services	555.3	402.4	38.0
- information Technology	476.3	362.6	31.4
- Industrial Engineering and Construction	1,169.4	865.8	35.1
Total	**2,677.2**	**2,023.5**	**32.3**

The Gross Cash Flows from Operating Activities (earnings before interest, tax, depreciation and amortization, adjusted by the works flows done for own fixed assets) reached 287.9 M €, which represents a 71.5 M € increase on the previous year (+ 33.0%)

Among the contributions to these Gross Cash Flows, of note is that from the Industrial Engineering and Construction business unit which increased considerably to 137.5 M € (98.9 M € the previous year), which represents a 39.1% increase, and also that from the Environmental Services business unit with 58.0 M € (40.4 M € the previous year), which represents a 43.7% increase.

Gross Cash Flows M €

	2006	2005	% Variación (06-05)
- Bioenergy	49.9	43.8	14.0
- Environmental Services	58.0	40.4	43.7
- information Technology	42.3	33.3	27.2
- Industrial Engineering and Construction	137.5	98.9	39.1
	287.9	**216.4**	**33.0**

It is important to consider the company's efforts in R&D&I activities, whose impact on the financial statements goes from 18.3 M € in 2005 to 23.2 M € in 2006 (up 26.8%).

The after tax result attributable to the parent company is 100.3 M € which is a 52.0% increase on the 2005 financial year figure (66.0 M €).

The above result means a profit of 1.11 € per share as against the 0.73 € per share obtained in 2005.

The non-recourse financing applied to projects has risen 86.9%, from 670.8 M € in 2005 to 1,253.9 M € in 2006.

Abengoa's Net Debt in 2006 is 153.8 M € (net cash position) as against 118.4 M € (net cash position) in 2005.

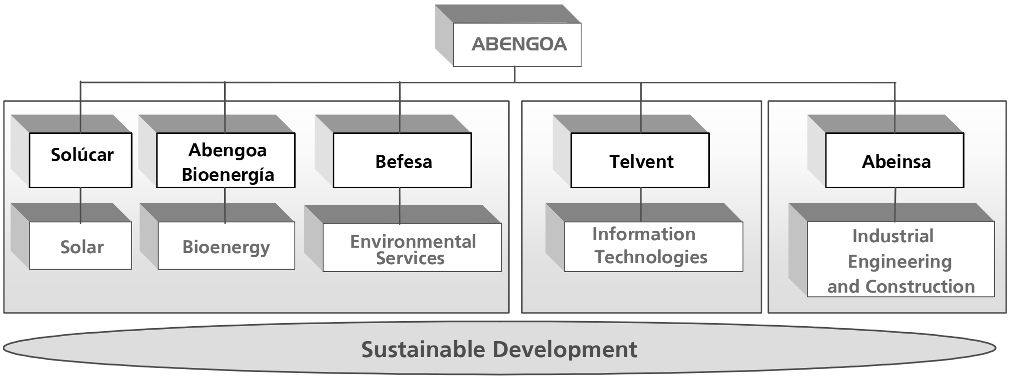
2.- Comments on the Evolution of the Business and Overall Situation of the Companies Included in the Consolidation.

2.1. General description and organization.

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

At the 2006 year end, Abengoa's stock market capitalization was € 2,516.07 million, it is present in more than 70 countries and its sales in the year were € 2,677.2 million and its Gross Cash Flows € 287.9 million.

Abengoa operates through five Business Groups:



The activities of the five Business Groups are as follows:

- **Solar.**

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

- **Bioenergy.**

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

- **Environmental Services.**

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

- **Information Technology.**

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

- **Industrial Engineering and Construction.**

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

2.2. Recent evolution.

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

Description	2006	Δ%	2005	1996	CAGR(*) (96-06)
	M €		M €	M €	%
Total Equity	541.1	2.8	526.2	160.4	12.9
Total Assets	5,427.0	63.3	3,322.7	538.4	26.0

Description	2006	Δ%	2005	1996	CAGR(*) (96-06)
	M €		M €	M €	%
Sales	2,677.2	32.3	2,023.5	578.8	16.5
Gross Cash Flows (1)	287.9	33.0	216.4	53.8	18.3
Pr. Attrib. to Parent Comp.	100.3	52.0	66.0	16.1	20.1

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

2.2.2. On the balance sheet, the most significant aspect is the increasing in the caption "Fixed Assets in Projects", which rose from € 178.2 million in 1997 to € 681.8 million in 2005 and € 1,151.3 million in 2006, basically as a result of Intangible assets representing the investments in certain concessions located in Brazil, for the acquisition at the 2006 year end of the B.U.S.Group and for the projects investments in the activities of water and environmental management, and of bioetanol-producing plants and installations belonging to the different Project promotion companies in which interests are held by other subsidiaries of Abengoa, S.A.

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

The balancing item of these investments appears in the balance sheet liabilities under the caption "Financing without Recourse Applied to Projects", which, at the 2006 year end totals € 796.1 million under the long-term caption and € 457.8 million at short-term, in comparison with € 386.4 million and € 284.5 million respectively in 2005.

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

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

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

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

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

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

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

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

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

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

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

2.2.3. In the evolution of the Business Groups at the level of Sales and Gross Cash Flows, particularly notable is the growth experienced in Environmental Services, with a 38.0% increase in Sales and 43.7% in Gross Cash Flows:

	Sales 2006			Sales 2005		Sales 1996	
Business Group	**M €**	**% over total**	**∆ 05/04 (%)**	**M €**	**% over total**	**M €**	**% over total**
Bioenergy	476.2	17.8	21.3	392.7	19.4	-	-
Environmental Services	555.3	20.7	38.0	402.4	19.9	46.3	8.0
Information Technology	476.3	17.8	31.4	362.6	17.9	138.9	24.0
Engineering and Industrial Construction	1,169.4	43.7	35.1	865.8	42.8	393.6	68.0
Total	**2,677.2**	**100.0**	**32.3**	**2,023.5**	**100.0**	**578.8**	**100.0**

	Gross Cash Flows 2006			Gross Cash Flows 2005		Gross Cash Flows 1996	
Business Group	**M €**	**% over total**	**∆ 05/04 (%)**	**M €**	**% over total**	**M €**	**% over total**
Bioenergy	49.9	17.3	14.0	43.8	20.2	-	-
Environmental Services	58.0	20.2	43.7	40.4	18.7	4.3	8.0
Information Technology	42.3	14.7	27.2	33.3	15.4	7.5	14.0
Engineering and Industrial Construction	137.5	47.8	39.1	98.9	45.7	42.0	78.0
Total	**287.9**	**100.0**	**33.0**	**216.4**	**100.0**	**53.8**	**100.0**

2.2.4. In 2006, Abengoa continued to increase its activity abroad, in volume as well as diversification. The ever-increasing contribution from the United States and Canada by the companies in the Information Technologies and Bioenergy Business Units is especially noteworthy. Of the 2,677.2 M € billed in the 2006 financial year, 1,499.8 M € (56.0%) is from sales abroad. The activity in Spain amounted to 1,177.4 M € (44.0%) compared to 1,041.7 M € in 2005 (51.5%).

Of the total sales figure abroad, 1,071.5 M € (71.4%) correspond to local activity, that is to say, billing by the local companies established in different countries, and exportation by Spanish companies amounted to 428.3 M € (28.6%). In 2005, the local activity and exportation represented 36.8% and 11.7% respectively.

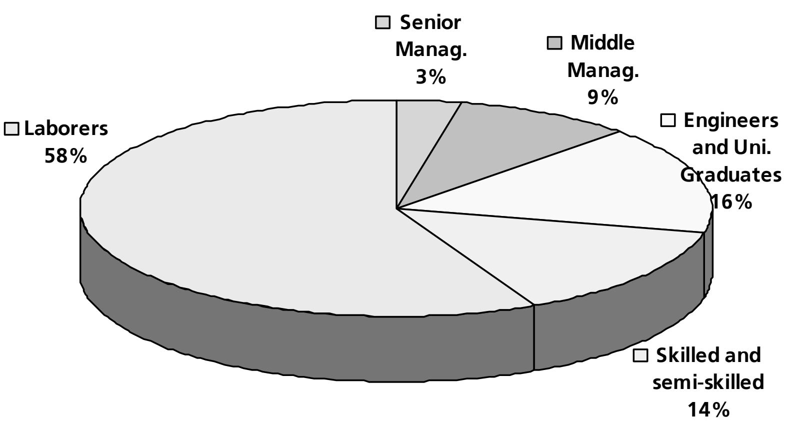
We would especially mention the variation in the contribution from the different geographical areas. Latin America continues representing a similar percentage to that of 1996. Nevertheless, the contribution from the USA and Canada, that in 1996 was non-existent, is currently 10.6%.

International Activity							
	2006		2005		1996		CAGR(*) (96-06)
Exports and Sales by Local Companies	M €	%	M €	%	M €	%	M €
- USA and Canadá	284.7	10.6	270.3	13.4	0.0	0.0	-
- Latin America	739.5	27.6	492.3	24.3	152.4	26.3	17.1
- Europe (excluding Spain)	319.0	11.9	122.2	6.0	16.4	2.8	34.6
- África	104.3	4.0	46.3	2.3	5.2	0.9	34.8
- Asia	43.5	1.6	47.3	2.3	24.4	4.2	5.9
- Oceania	8.8	0.3	3.4	0.2	0.0	0.0	-
Total foreign sales	1,499.8	56.0	981.8	48.5	198.4	34.2	22.4
Total Spain	1,177.4	44.0	1,041.7	51.5	380.4	65.8	12.0
Consolidated total	**2,677.2**	**100.0**	**2,023.5**	**100.0**	**578.8**	**100.0**	**16.5**

(*) CAGR: Compound Annual Growth Rate.

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

Average Number of Employees	2006	%	2005	1996
Spain	6,977	51.3	6,000	4,115
Abroad	6,631	48.7	5,082	3,335
Total	**13,608**	**100.0**	**11,082**	**7,450**



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

In relation to the proceedings brought by Central Magistrate's Court number 4 of the National Criminal Court against four members of the Board of Directors of Abengoa, S.A., against the current Secretary of the Board of Directors, and against the current Chairman of Telvent GIT, for an alleged crime of unfair administration in accordance with article 295 of the Criminal Code, as a result of the purchase of shares in Xfera, Ruling of the Central Criminal Court of the National Court of 25 January 2007 dismissed these proceedings, declaring their absolute nullity. On the 17 October 2006, the Central Criminal Court had already issued a ruling in which it cancelled the precautionary measures imposed on Corporate Investment. The Ruling of 25 January accepts and fully allows the preliminary point argued by the representatives of the accused, in relation to the lack of active legitimation of the Public Prosecutor's Office, given the fact that no one had presented any allegations, as established by article 296 of the Criminal Code. The ruling also clarifies that neither of the exceptional cases was applicable here – involvement of general interest or plurality of affected parties - which make it possible to consider the existence of a crime even if there have been no allegations. The Ruling of 25 January was the object of an appeal by the Public Prosecutor's Office dated 6 February 2007, which will be resolved by the Criminal Division of the National Court in due course, at which time, if the aforementioned Ruling is confirmed, it will become firm.

4.- **Information on the forecast evolution of the Group.**

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

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

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

5.- **Information on Research and Development Activities.**

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

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

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

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

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

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

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

5.4. In the year 2006, investment in R&D totalled € 68.5 million in comparison with € 65.9 million in 2005. For the year 2007, the company plans to make an even greater R&D&i investment effort, up to a sum of more than € 69 million. Special attention should be paid to the planned investments in projects related to the conversion of biomass and ethanol and solar energy-related projects.

6. Quality and Environmental Management.

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

As a result of the path followed in earlier years, at the end of 2006, 93% of the Abengoa companies had Quality Management Systems certified under ISO 9001. Likewise, 82% of the companies had Environmental Management Systems certified under ISO 14001.

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

Business Group	% Companies Certified under ISO 9001	% Companies Certified under ISO 14001
Solar	50%	50%
Information Technology	92%	85%
Engineering and Industrial Construction	100%	71%
Environmental Services	94%	100%
Bioenergy	83%	67%

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

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

7. Information on the Acquisition of Own Shares.

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

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

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

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

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

In addition, during the year 2006, a Share Acquisition Plan for the group's Management has been implemented in Abengoa, S.A., in accordance with the following basic terms:

- For: Up to 122 Directors of Abengoa (business group directors, business unit directors, technical managers and R&D&I managers and corporate services managers) belonging to all its subsidiaries and business areas, present or future, who voluntarily wish to take part in the plan. The plan will not include any member of the Board of Directors of Abengoa.
- 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, 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 millions (including expenses, commissions and interests). The term of repayment of the loan shall be five years and six months.

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

The 2006 Annual Report is available on the web:
www.abengoa.com

This document is printed on recycled paper.

Design:
Rafael Lozano

Printers:
Artes Gráficas Gandolfo

D.L. SE - 519 – 07

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