

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

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

1. In Renewable Energies, we aim to create two global leaders: In the production and commercialization of bioethanol for transport and in solar energy for the production of electricity and sale of associated technologies.
2. In Water, we are creating an international leader in the desalination and water transport market.
3. In Waste Management, we are the leaders in certain markets for zinc, aluminium and associated services.
4. We are creating an international leader in Information Technologies with high added value for efficient management in sectors such as energy, transportation, environment, public administration and global services.
5. In Industrial Engineering & Construction, we are leaders in the market for renewable energy infrastructure, transport systems and electricity.
6. We are creating new horizons for growth by developing businesses with high potential related to other renewable energies such as hydrogen and the management of greenhouse effect gas emissions.

We believe that offering innovative technological solutions and reaching positions of global leadership in these markets will lead to the creation of value in

the long term. Our objective is to maximize the value of the company by generating profitable growth through innovation.

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

Thanks to the efforts of the 20,000 people that make up Abengoa's workforce, we ended the year 2007 with € 3,214 M of revenue (+20.1%), € 452 M of gross operating cash flow (+57.2%), and € 120 M of net profit (+20%). But, above all else, during the year 2007 we were able to consolidate a portfolio of businesses based on sustainability with potential for profitable growth. We are in an excellent position, with prospects for another decade of growth equalling that of the past ten years and opportunities for the creation of value in all of our activities.

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

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

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

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

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

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

1) **Bioenergy:** we have an excellent international position in the production and sale of bioethanol and status as the only producer present in the three main markets (United States, Brazil and Europe).

This market has been growing at 25% annually and is expected to continue to grow at a similar rate within the context of expensive oil and government support for biofuels in most countries. In fact, in 2007 the United States approved an "Energy Bill" that envisages multiplying the market by five over the next fifteen years, whilst various European countries have approved legislation in order to fulfil the planned growth targets

In this context, our strategy is to occupy positions in the main markets that are ideal, from a logistic point of view, to increase commercial penetration and prepare us for the second generation of bioethanol, which we have been developing for several years at pilot plants.

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

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

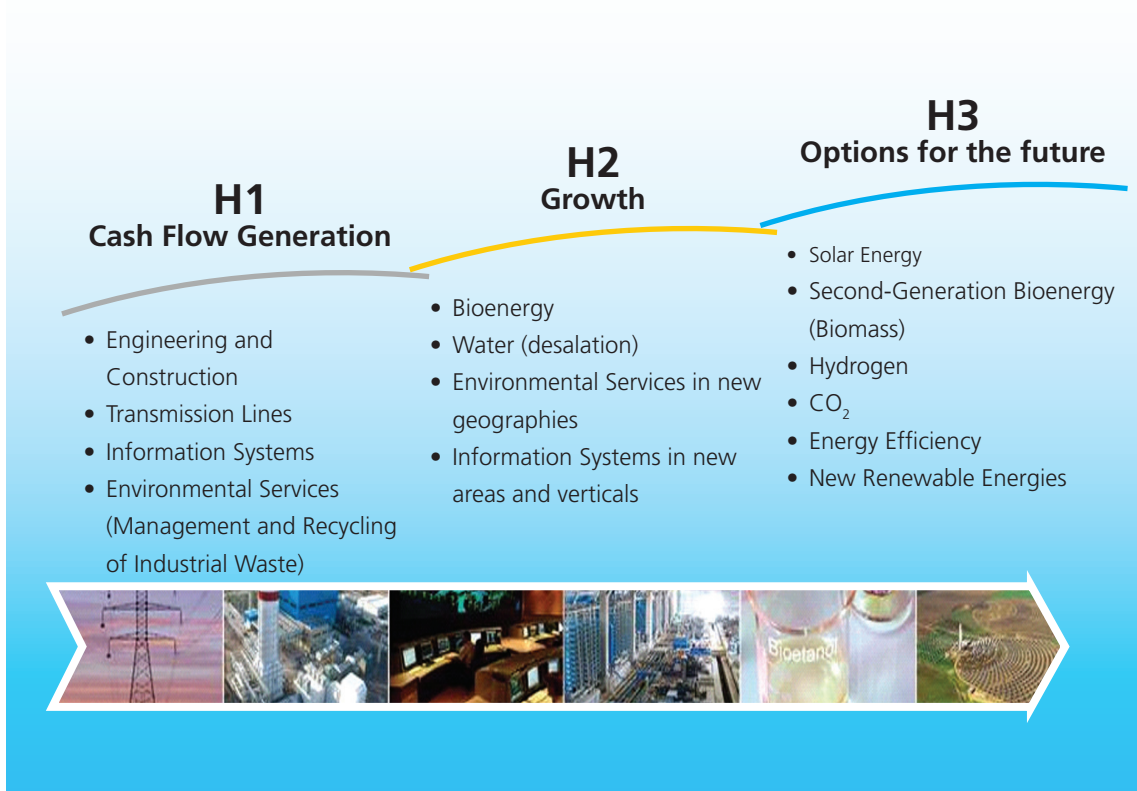
awarded new contracts in various countries as a result of our commercial activities.

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

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

- **Hydrogen:** we have created one of the pioneering companies in investigation dedicated exclusively to hydrogen technologies as a future energy vector.
- **Management of emissions:** we have a company that is focused on the management of emission rights and the development of projects for clean development mechanisms. We are also working on pioneering projects related to the capture and sequestration of CO₂ and energy efficiency.

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



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

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

Financing: in 2007, we obtained an additional € 859 M in corporate financing with favourable conditions and arranged non-resource project financing for a total of almost € 12,000 M. This puts us in a better position to deal with the present scenario of increased uncertainty.

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

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

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

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

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

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