

Annual Report 2009  
**ABENGOA**

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**Consolidated  
Management Report**

## 2009 Consolidated Management Report

### 1.- Organisational Structure and Activities

Abengoa, S.A. is a technology company, and the head of a group of companies, which at the end of 2009 comprises the following companies:

- The holding parent company itself.
- 582 subsidiaries.
- 23 associates and 24 joint businesses as well as certain companies of the Group being involved in 335 joint ventures. Further, the companies of the Group have shareholding in other entities of less than 20%.

Independent from the legal organization, management of Abengoa is undertaken as discussed below.

Abengoa is a technology company which applies innovative solutions for sustainability in the following sectors: infrastructure, environment and energy, generating long-term value to our shareholders through leadership characterised by the encouragement of an entrepreneurial spirit, social responsibility and the transparency and integrity of management.

Abengoa has a presence in over 70 countries in which our five Business Units operate: Solar, Bioenergy, Environmental Services, Information Technologies and Industrial Engineering and Construction.

The activities of the five Business Units are as follows:

#### Solar

Abengoa Solar develops and applies solar energy technologies to tackle climate change and ensure sustainability through its own solar thermal and photovoltaic technologies.

#### Bioenergy

With Abengoa Bioenergy as its holding company, this operating segment is dedicated to the production and development of biofuels for transport, bioethanol and biodiesel amongst other products, which use biomass (cereals, cellulosic biomass, and oleaginous seeds) as a raw material. Biofuels are used in the production of ETBE (a gasoline additive) or can be mixed directly with gasoline or diesel. As a renewable energy source, biofuels reduce CO<sub>2</sub> emissions and contribute to the diversification and guarantee of ongoing energy supply, reducing levels of dependence upon traditional fossil fuels as a source of energy, as well as collaborating and complying with the Kyoto Protocol.

#### Environmental Services

Befesa is an international company specialising in the integrated management of industrial waste, and the management and desalination of water. Very much at the fore of this business group is the social responsibility entailed by the pursuit of sustainability.

#### Information Technologies

Telvent is the global company offering technology solutions and business information services that contributes to improving the efficiency, safety and security of leading companies all over the world. Telvent aims at markets that are critical for the sustainability of the planet, the most important of which are energy, transport, agriculture and the environment.

## Industrial Engineering and Construction

Abeinsa is the Industrial and Technological Group offering integrated solutions within the Energy, Transport, Telecommunications, Industry, Services and Environmental sectors. Such solutions, both innovative and aimed at the contribution towards sustainability enable the creation of value to customers, shareholders and employees, assuring an international protection and the profitability of its future investments.

### 2.- Strategy

2009 has been a good year for Abengoa in spite of the economic context. Sales rose 10% in comparison to 2008, up to € 4,147 M; gross cash flow 46%, reaching € 916 M; the EBITDA, 39%, up to € 750 M; and the net benefits increased in 21%, up to € 170 M.

For the fourteenth consecutive year, the same period of Abengoa's existence as a listed company, we have managed to profitably grow by double digits as a result of the strategy of focusing our activities on highly growing businesses that offer innovative solutions for sustainable development, and on geographical diversification. We are also convinced we will achieve it again in 2010 thanks to the fact that we closed 2009 with the largest contracted portfolio in our history, € 7,655 M, including the solar plants recently registered in the registry of renewable energies in Spain.

This year, together with other eleven organizations, we fostered the creation of the Desertec Project which is aimed at supplying 15% of the European energy demand and a substantial part of that of North Africa and the Middle East by 2050, through thermosolar plants and other sources of renewable energies. We are also helping the increase in the efficiency and the safety and security of the electrical grids through an improved control of electricity generation, distribution and consumption (Smart Grid).

Three high performance businesses related with sustainable development, — Solar, Bioenergy and Water — together with the main businesses of Industrial Engineering and Construction, experienced significant growths in sales and gross cash flow in comparison with 2008. This compensated for the worsening performance of the businesses affected by the decrease in industrial activities in Europe, mainly the recycling of metals and certain activities of industrial construction in Spain.

- Sales in Solar reached € 116 M, upwards 78%, and gross cash flow of € 73 M, an increase of 80%. This business continues to grow at a high rhythm and it has barely been affected by the current economic climate, except for the slight delays in the commencement of certain projects due to the fact that their financing was slowed down.
- Income in Bioenergy reached € 1,010 M, upwards 22%, and gross cash flow € 188 M, upwards 69%. The commissioning and start of operations of the two plants in San Roque (Spain) and Lacq (France), as well as the gradual recovery of the margins in the United States and the rise in sugar prices in Brazil, permitted us to achieve significant improvement in this year's profits.
- Sales decreased 17% in Environmental Services, down to € 722 M, and the gross cash flows also decreased 25%, down to € 119 M. Excluding the profits obtained from the land sales in Spain in 2008, the gross cash flows increased by 1%. Nevertheless, business evolution has been very different by area. Recycling activities of metal, aluminium and steel dust were deeply affected by the crisis in the construction, automobile and equipment properties industries in Europe. On the other hand, the water business performed very positively due to the internationalization experimented by this activity over the last years. In 2009 we continued with the execution of four large desalination plants in Algeria and India, and we closed the financing deal on our first desalinating plant in China. As a result, income derived from water-related activity rose 29%, up to € 285 M.

- The 2009 income from Information Technologies rose to € 759 M, 9% more, and a gross cash flow of € 173 M, 113% more. These gross cash flows include profits from the sale of the Telvent shares in 2009, which leaves Abengoa with a 40% control stock. This partial divestment provided us with additional resources for our growth in other areas, while it still keeps us committed to the development of Telvent, capturing synergies with the rest of the businesses.
- Sales in Industrial Engineering and Construction rose 29%, up to € 2,576 M (including corporate activity adjustments), and the gross cash flows went up 54%, up to € 363 M. In this business, evolution was very different by geographical area and segment. The construction of renewable energy plants, for Abengoa and for third parties, continued to grow at a significant rhythm. The construction and operation of electrical lines in Latin America also showed positive progress as a result of the maintenance and growth of line construction plans lines in different countries in the region. However, many of the electrical and industrial construction and installation businesses, especially in Spain, were affected, as expected, by the descent in industrial investment.

Geographically, huge increases were seen in businesses in areas like the United States, Latin America or Europe, excluding Spain, amply mitigating the moderate drops on the Spanish market. Thus, in consolidated terms, Spain represents 31% of the sales for Abengoa, while the rest of the activities can be broken down between Latin America, 28%, United States, 14%, Europe (excluding Spain), 15% and other countries, 12%.

To obtain such results in a year as difficult as 2009 is indeed a great achievement. But it is even more important for Abengoa to have been able to meet its strategic goals that were set for the year, which places us in a good position to continue growing in a profitable manner in future:

1. We reduced our costs as planned, especially in businesses in horizon 1 (mature), some of which decreased in their activities. This way it was possible to improve the operational margins of almost all the businesses and to reduce the general comparable expenses in 3%. This is what we refer to as «earning the right to grow», ensuring that mature businesses continue to generate cash and benefits to be reinvested in other growing businesses.
2. We invested more than € 2,000 M in 2009, mainly in businesses in horizon 2 (growing) using a non-recourse debt of about € 1,200 M in the projects and € 800 M of corporate recourse. This investment will permit us to grow when we commission the projects currently under construction in later 2010 and 2011.
3. We increased our investments in R&D&i by a total of € 90 M, up 7% more than in 2008. As result of that investment, Abengoa has applied for 54 new patents in its different businesses, which is a reflection of the success and potential entailed in our new technologies and of the importance we give to businesses in horizon 3 (the future). Specifically, we believe that our future businesses (new solar technologies, new biofuels, hydrogen, emission management, energy efficiency and new renewables) will permit us to continue our long-term growth.
4. We optimized our cash flow management, which has allowed us to maintain the net debt at levels we deem reasonable. The net debt, excluding the non-recourse financing, at the end of 2009, was at € 1,257 M, 1.8 times EBITDA. The total net debt (recourse or non-recourse) excluding that linked to projects that have not yet started operating, and therefore do not yet generate any EBITDA, amounts to € 1,818 M, 2.4 times EBITDA.
5. We kept our investment in developing and training our human resources reaching over a million hours of training for the more than 24,000 persons in our organization, an increase of 11% over that of last year.
6. We continue our international programme of scholarships: 575 interns did their practical work in Abengoa companies in 2009, which represents a 7% increase over the 2008 exercise.
7. After successfully culminating our first greenhouse gas emission inventory, we continue working in this direction, gradually improving the measuring of our emissions and implementing the labelling of our products.

Equally so, with the aim of continuing to guarantee the reliability of the financial information prepared by the company, we continue reinforcing our internal control structure and voluntarily adapting to the requirements set forth by the Sarbanes-Oxley Act (SOX) of the US, which is helping us to grow with solvency and security. One more year, we intended to voluntarily subject the internal control system of the whole group to an independent evaluation process carried out by external auditors following the PCAOB Auditing Standards.

We also continued advancing in our commitment to transparency and good governance practices; our annual report already includes six independent verification reports prepared by external auditors on the following areas: financial statements, SOX internal control system, Corporate Social Responsibility report, greenhouse gas emission allowance inventory, Corporate Governance Report and the design of the risks management system of the company.

Lastly, we continue fostering our commitment to the social and cultural development of the communities in which we carry out our business activities, with special attention to disabled persons and to marginalized groups. All these fall within the Corporate Social Responsibility programme we execute through our Focus-Abengoa Foundation in which the 2009 investment for this concept surpassed € 8 M, in addition to the € 23 M investment into the Centro Velázquez.

Our eagerness to share the culture and values of Abengoa with our interest groups, in an open and transparent manner, as well as to integrate their view points in them, led us to create a procedure that would permit us to report on the performance in corporate social responsibility of the more than one and fifty companies that, operating in over seventy-seven countries, make up Abengoa. The system agglutinates the company's social, environmental and financial information. In addition, all the data were revised externally by an independent verifier with a degree of reasonable assurance, thus backing the reliability of the information the company relays.

Our forecasts for 2010 are positive. We hope to achieve growth in sales and profitability in line with that obtained over the last years. This will be possible thanks to the optimization of existing businesses, to the commissioning of investments started over the past years and to the commencement of various new projects.

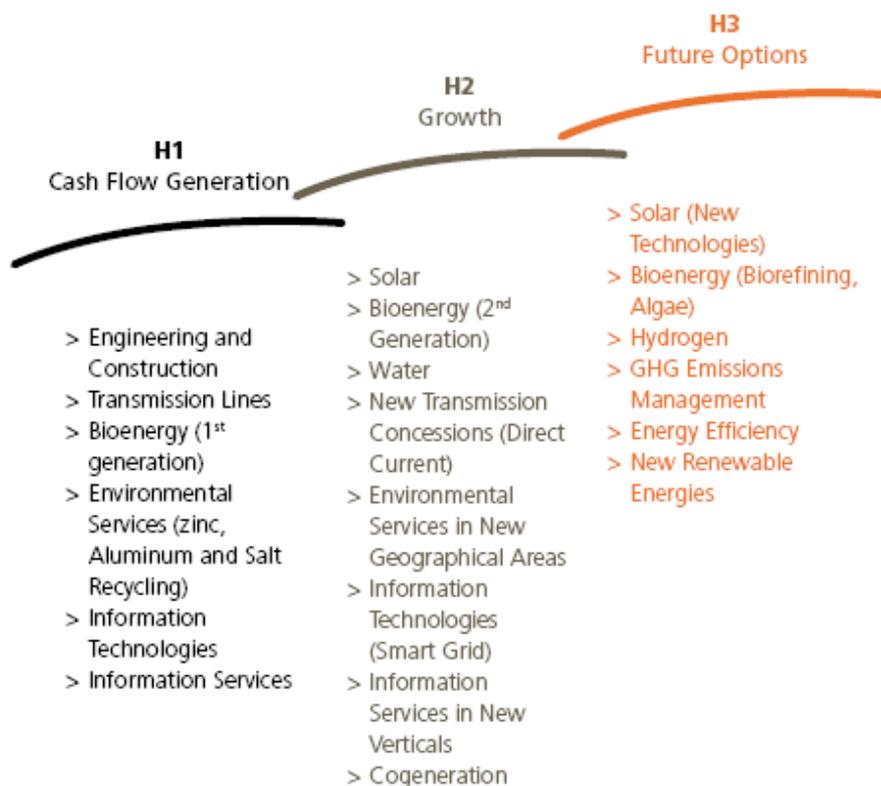
- In 2010 in Solar we will commission four electricity generation plants with a total of 300 MW — three plants of parabolic cylinder technology of 50 MW each in Spain, and one gas-solar hybrid plant in Algeria —. We also hope to start constructing several of the ten new solar plants, of 50 MW each, that we registered in the Registry of Advanced Allocation of Compensation (solar tariff) in Spain and which, therefore, have all the permits necessary for their construction. Several of these plants will be built in collaboration with partners, including the multinational electric company, E.ON, with whom we are already constructing two solar plants in Écija (Spain).
- In Bioenergy we will operate the plants that we commissioned in 2009, and the plant in the Netherlands and the two in the United States, in construction until now, will start functioning. We will also close several significant investments to improve our plants in Brazil. With this we will culminate our first generation biofuel investment plan.
- We expect partial recovery in Environmental Services in the recycling businesses that were affected by the descent in the industrial activity in Europe, and we hope to continue the growth in Water. In 2010 we will start operating the desalinating plant in Chennai (India), commission the desalinating plant in Tenes (Algeria) and we will continue the Qingdao (China) construction plant.
- In Information Technologies we expect a very positive progress in the verticals of electricity, in which the products related with smart grids are showing great potential. In other verticals the progress taken by investments by big companies and by public administrations will be key.
- In Industrial Engineering and Construction we expect important activity derived from the contracts signed in 2009 on transmission lines in Latin America, in generation plants and for the new solar plants. Some smaller businesses that depend on the industrial activity in Spain will continue giving results below the historic trend.

Thus, our big challenge in 2010 will not only be to maintain our activity or profitability, or to design growth projects, but also to finance the big projects that Abengoa has generated. Each year we promote countless opportunities that permit us to profitably invest thousands of millions in markets of enormous potential, like those of solar energy, biofuels, and water and electricity infrastructure. Specifically, in 2009, we won bids or culminated the promotion of projects that will suppose the investment of around € 5,000 M, though most of this amount has not yet been depicted in the contracted portfolio figure. For this reason, in 2010 we will continue analyzing and executing, if the conditions are deemed appropriate, various options of financing which will permit us to continue creating value with these new projects. We will ensure a profitable growth in the ensuing years as these projects are financed in 2010 and 2011.

It is for all the reasons above that over the last months we issued two types of bonds, demonstrating that Abengoa can directly access the capital markets, and for which we entered alliances with third parties for the development of joint projects. Fortunately, we have an important number of projects with which we can create value for our shareholders.

To summarize, 2009 was a year of fulfilled objectives and 2010 should be a year of profitable growth for Abengoa, even though the macroeconomic context and the situation of the financial sector may still not be helpful. Our goals for this year are clear: to continue optimizing the mature businesses in horizon 1 (engineering and construction, recycling, information technologies and first generation biofuels); to commission new assets in construction; to finance many of the new big projects (horizon 2 mainly including solar, water and second generation biofuels) and to maintain our commitment to the future through R&D&i, developing and training of human resources and the corporate social responsibility.

A balanced set of activities (vision 2010)



### 3.- Business trends

#### 3.1. Recent trends

3.1.1. Movements in the main items on the Balance Sheet and the Income Statement are set out as follows:

Concept	2009	Δ%	2008	1999	CAGR(*) (99-09)
	M €		M €	M €	%
Total Equity	1171.0	86.6	627.5	200.6	19.3
Total Assets	12,369.9	26.3	9,794.6	1,197.9	26.3

Concept	2009	Δ%	2008	1999	CAGR(*) (99-09)
	M €		M €	M €	%
Revenues	4,147.3	10.0	3,769.2	866.2	17.0
Gross cash flows (1)	915.6	46.0	627.2	88.3	26.3
Profit attributable to the parent company	170.3	21.3	140.4	21.9	22.8

(1) Results before interest, tax, depreciation/amortisation and provisions, adjusted for cash flows from works on own fixed assets.

(\*) CAGR: Compound Annual Growth Rate.

3.1.2. Balance sheet; of note is an increase in "Project Fixed Assets" which rose up to € 3,623.3 M in 2009, primarily being intangible assets, reflecting investments made in certain concessions in Brazil, and investments in water management projects, environmental projects and plants and production installations for Bioethanol and Solar by the various project development companies owned by the various subsidiaries Abengoa, S.A.

The investments made by these development companies are executed and financed, in general, through "project finance", being a specific financing formula under which funds are raised exclusively to finance that entity and the project with debt repayments being made directly from the future cash flows generated by that same project. Such financing is in this reing-fenced, and is therefore without recourse to the shareholders.

The opposite entry to these investments is recognised as a liability within the Balance Sheet, as "Non-recourse financing applied to projects", which, at the closing of 2009, amounts to € 2,748.0 M in the long term heading and to € 185.4 M in the corresponding short-term heading.

The net equity increased 86.6% reaching € 1,171.0 M, mainly as a result of the better outcome registered in the exercise, of the positive impact of the conversion differences as consequence of the appreciation of the Brazilian Real and the increase in external partners after the sale of minority shares of Telvent during the exercise.

The Net Debt of Abengoa in 2009 reached € 1,257 M (net position of debt) as against the € 529.9 M (net position of debt) for the 2008 exercise.

The change in the size and structure of the Abengoa balance sheet over the last five years reflects certain events, the impact of which is most notable on the following Balance Sheet movements:

- a) Obtaining the Syndicate Loan in 2005 made up of a principle amount of € 500 M with a loan term of 7 years plus a revolving facility of € 100 M with a 6 year term, subscribed by 45 financial entities, structured for the purposes of providing sufficient financial resources to the company so as to implement Abengoa's Strategic Plan.
- b) The acquisition in 2006 of 100% of the share capital of B.U.S., Group AB, for consideration of € 330 M, through non-recourse financing, provided through Barclays. As of 4 December, the German competition authorities allowed the transaction to go ahead.
- c) Obtaining a new syndicate loan in 2007 for € 859 M. This loan was raised to finance Abengoa's entry into the Brazilian ethanol market, as well as to finance our investment plans in solar energy, desalination, and electricity transmission lines.
- d) Acquisition in 2007 of 100% of the share capital of the Dedini Agro group of companies (today being Abengoa Bioenergía Sao Paulo), one of the largest companies in the Brazilian sugar and ethanol market.
- e) An agreement in 2007 with Matchmind, an international business, for its integration within Telvent. Through this agreement, Telvent initially acquired 58% of Matchmind for € 23 M with the management team taking a 40% holding in the entity. The holding in Telvent has been increasing over the last three years until reaching 100% ownership in the 2009 exercise.
- f) The acquisition in 2008 of the US entity DTN Holding Company, Inc. (DTN), with its headquarters in Omaha, Nebraska. DTN was purchased for US\$ 445 million cash (approximately € 310 M), and financed through a combination of preference debt and the emission of shares.
- g) During 2008 the contracting of four own projects continued, being four solar thermal plants (PS 20, Solnova 1, Solnova 3 and Solnova 4), and 3 ethanol plants (Rotterdam, Indiana and Illinois).
- h) The 2009 exercise saw the commissioning of the 20 MW thermosolar plant with PS 20 Tower Technology.
- i) Also in 2009, Abengoa gained access to the capitals market by issuing two bonds for the total sum of € 500 M.

3.1.3. Consolidated sales as of December 31<sup>st</sup> 2009 totaled € 4,147.3 M, representing an increase of 10% over the last period.

Concept	Solar	Bio.	Env. Services	Infor. Technologies	Ind. Engin. & Const.	Corp. Activ. and Adj.	Total as of 31.12.09
Net Income	115.9	1,010.0	721.8	759.0	2,681.0	(1,140.4)	4,147.3
Gross cash flows from Operating Activities (Note 27)	73.1	188.2	118.7	172.7	322.3	40.6	915.6

Concept	Solar	Bio.	Env. Services	Infor. Technologies	Ind. Engin. & Const.	Corp. Activ. and Adj.	Total as of 31.12.08
Net Income	65.0	830.1	873.4	696.9	2,040.6	(694.6)	3,769.2
Gross cash flows from Operating Activities (Note 27)	40.6	111.6	157.8	81.0	224.8	10.5	627.2

The amount of gross cash flows from Operating Activities (Income before interests, taxes amortizations and provisions, adjusted for the flows of the works carried out for the own fixed assets) goes up to € 915.6 M, thus increasing over 2008 by € 288.4 M (46% more).

From the contribution to this gross flows, we may highlight the importance of the growth of the Industrial Engineering and Construction business unit, which brings in € 322.3 M (€ 224.8 M the previous year), which entails an increase of 43.4%, and that experimented by Solar, which contributes € 73.1 M (€ 40.6 M the previous year), an increase of 79.9%.

It is necessary, once more, to consider the effort of the company in R&D&i activity, the impact of which reflects on the 2009 Income Statement in € 61.5 M.

The increase in the amount of the amortizations is mainly due to the deterioration in the value of certain assets related with the Solar and Bioenergy Business Unit in the amount of € 130.9 M (see Notes 5 and 10 of the Report).

Likewise, € 17.9 M was registered for the deduction for export-related activities, in the line of other operating incomes (as against the € 68 M registered in 2008), in accordance with IAS 12 (for more detail see note 20.2 of the Report).

Two atypical operations occurred in 2009 with impact on the Income Statement at EBITDA level:

- Acquisition of the remaining 50% of Biocarburantes Castilla y León, giving rise to a profit of € 36.8 M for the difference between business combination cost and fair value of net assets and liabilities acquired (see Note 37 of the Report)
- Sale of 23.9% of the shares that Abengoa holds in Telvent, with Abengoa still remaining as main shareholder, and maintaining effective control over the company, with 40% of the stock capital. This sale brought in a profit of € 56.3 M (see Note 2.2 of the Report).

The Income Statement rose from € -313.9 M in 2008 to € -181.4 M in 2009. In addition to the effect of the descent on the reference interest rates, it should be emphasized that the appreciation that the Brazilian Real underwent against the United States Dollar during the exercise generated a lower accounting financial expense, as consequence of the conversion of debts in US Dollars to local currency in the transmission lines business, the positive impact of which amounted to € 54 M on the Income Statement (for more detail see Notes 32, 33 and 34 of the Report).

The outcome attributed to the parent company for the 2009 exercise grew by 21.3% reaching € 170.3 M, which amounts to € 1.88 in per share benefits (21.3% increase as against the 2008 exercise).

- 3.1.4. In the 2009 exercise, Abengoa continued increasing its foreign activities in volume and in diversification. From the € 4,147.3 M consolidated invoicing for the 2009 exercise, € 2,850.9 M (68.7%) is from international or external sales. Activity in Spain amounts to € 1,296.4 M (31.3%) as against the € 1,331.5 M for 2008 (35.3%).

External Activity	2009		2008		Var 09-08	2007	
	M €	%	M €	%		M €	%
Exports and Sales of Local Companies							
- United States	836.7	15.5	762.0	16.5	9.8	458.7	12.8
- Latin America	1,177.9	21.9	896.7	19.4	31.4	634.9	17.7
- Europe (excluding Spain)	873.8	16.2	722.1	15.7	21.0	653.5	18.2
- Africa	327.8	6.0	316.3	6.9	3.6	167.5	4.7
- Asia	140.4	2.6	156.9	3.4	(10.6)	110.7	3.1
- Oceania	4.4	0.1	6.2	0.1	(27.8)	8.8	0.2
- Spain	2,036.1	37.7	1,755.2	38.0	16.0	1,559.8	43.4
<b>Aggregate Total</b>	<b>5,397.2</b>	<b>100.0</b>	<b>4,615.3</b>	<b>100.0</b>	<b>16.9</b>	<b>3,594.0</b>	<b>100.0</b>
Eliminations	(1,249.9)		(846.1)		47.7	(379.5)	
<b>Consolidated Total</b>	<b>4,147.3</b>		<b>3,769.2</b>		<b>10.0</b>	<b>3,214.5</b>	
Consolidated External	2,850.9	68.7	2,437.7	64.7	17.0	1,923.4	59.8
Consolidated Spain	1,296.4	31.3	1,331.5	35.3	(2.6)	1,291.1	40.2
<b>Consolidated Total</b>	<b>4,147.3</b>	<b>100.0</b>	<b>3,769.2</b>	<b>100.0</b>	<b>10.0</b>	<b>3,214.5</b>	<b>100.0</b>

3.1.5. The following table shows the average number of employees for the various periods:

Categories	Average 2009		% Total	Average 2008		% Total
	Women	Men		Women	Men	
Senior Manager	77	605	2.90	65	515	2.50
Middle Manager	299	1,746	8.80	290	1,553	7.90
Engineers and Uni. Graduates	1,486	3,724	22.30	1,230	3,422	20.00
Skilled and Semi-Skilled	1,407	2,229	15.60	1,209	1,827	13.10
Laborers	590	11,160	50.40	709	12,414	56.50
<b>Total</b>	<b>3,859</b>	<b>19,464</b>	<b>100.00</b>	<b>3,503</b>	<b>19,731</b>	<b>100.00</b>

## 4.- Anticipated future trends of the Group

- 4.1.** To understand the prospects of the Group, it is necessary to take into account the trends and developments achieved in recent periods, from which the foreseeable medium-term future would appear to show growth. The Group's medium term strategy is based upon an increase in the level of contribution from Group activities within Environmental, Renewable Fuels (bioenergy), Solar activity, as well as continuing the development of Information Technologies and Industrial Engineering and Construction.
- 4.2.** Further, Abengoa's longer-term outlook is strengthened through increasing our capacities within the Environmental Services market, through Befesa Medio Ambiente, S.A., increased bioethanol production capacity, as well as the developments in Solar activity. On the basis that the current forecasts are achieved, Abengoa has a new activity base available which could offer both stability and continuity over the coming years.
- 4.3.** With the current level of reserves, taking into account a greater extent of flexibility in the structure of the Group, the specialisation and diversification of activities, within the possible investments which present themselves within the domestic market and our competitive positioning within overseas markets, notwithstanding exposure of elements of our activities to the sale of commodities and non-Euro currencies, we trust that the Group shall be well positioned to continue positively into the future.

## 5.- Management of Financial Risk

Abengoa's activities are undertaken through five groups which are exposed to various financial risks:

- **Market risk:** The Company is exposed to market risk such as the movement in foreign exchange rates, interest rates, raw material prices (commodities). All such risks arise through the normal course of business, as no operations are entered into for purely speculative purposes. For the purposes of managing such risks from these operations, we utilise a series of sale/purchase futures, exchange rate options and contracts, and interest and raw material swaps.
- **Credit risk:** Trade debtors and other receivables, financial investments and cash are the main financial assets of Abengoa and therefore present the greatest exposure to credit risk in the event that the third party does not comply with their obligations of the transaction.

- Liquidity risk: The financing and liquidity objectives of Abengoa are to ensure that the company has sufficient funds available on an ongoing basis so as to honour all upcoming financial commitments and obligations.
- Interest rate and cash flow risk: Interest rate risk arises from third-party long-term loans. Those loans which are granted on a variable interest rate basis expose to the Group to interest rate and cash flow risks.

Abengoa's risk management model aims to minimise the potential Group's financial profitability adverse effects.

Abengoa risk management is the responsibility of the Group's Corporate Finance Department in accordance with the internal rules and procedures which are in force and strictly applied. This department identifies and evaluates the financial risks in close collaboration with each of the business units. The internal procedures provide written policies for the management of overall global risk, as well as for specific areas such as Exchange rate risk, Credit risk. Abengoa risk management is the responsibility of the Group's Corporate Finance Department in accordance with the internal rules and procedures which are in force and strictly applied. This department identifies and evaluates the financial risks in close collaboration with each of the business units. The internal procedures provide written policies for the management of overall global risk, as well as for specific areas such as Exchange rate risk, Credit risk, interest rate risk, liquidity risk, the use of hedging instruments and derivatives and the investment of excess cash.

For further information see Note 9 within the notes to these accounts.

## 6.- Information on Research and Development (R&D) Activities

- 6.1.** Abengoa has continued to increase its efforts in R&D&i (Research, Development and Innovation) throughout 2009 (despite the prolonging of the global technology crisis), with a strong belief that to achieve real future benefits, such investment requires continuous input which should not be adversely affected by the crisis or economic cycles.

Further, the Group has strengthened its presence, and in other cases its leadership, in various institutions, public forums and private forums in which cooperation is encouraged between the large technology companies, also being where the long and short term future of R&D&i is decided.

- 6.2.** The programs set out for R&D activities have substantially been achieved. Abengoa, through those responsible for the strategy in each areas of the business, has pushed, on a day-to-day basis, a higher level of innovation in the technologies developed, as required and reflected in the characteristics of the businesses, focusing primarily on the following objectives:
- Continuously and closely following the technologies which could affect each area of the business.
  - Selection of a portfolio of technologies which will maximise the competitive advantages of the Group.
  - The granting of and introduction of technology available through Transfer Agreements.
  - Selecting the optimum path for the development of technologies.
  - Determining the programs for marketing from the technology developed.
  - Utilisation of support from institutions/governments for innovation and technology.

- 6.3.** Of all such efforts, of note is that during 2009, R&D activity has been undertaken by Group companies in accordance with the requirements identified for their respective markets. The majority of the Group's projects are aligned with R&D objectives of the Spanish administrations (the Ministry of Industry and Energy), of Europe (R&D framework programs) and the U.S. (Department of Energy).

Abengoa engages in R&D both directly as well as through third-party contracts which are typically public organisations dedicated to such work, university departments, or other private or public entities. Additionally, during the year, Abengoa has made strategic investments in pioneering companies in the US and Canada, developing and owning technologies which are defined as "high priority", such as biofuels and control systems, with the objective of enabling internationalisation and the generation of value through these technologies in key emerging markets.

R&D is a strategic activity for Abengoa with regards to its planning for future periods. It is undertaken by the business groups in harmony with the demands of their respective markets so as to provide the necessary competitive capacities of the Group on an ongoing basis.

- 6.4.** In 2009, investment in R&D&i totaled € 90 M compared to € 84 M in 2008. In 2010, a further increase in R&D&i investment is anticipated. Of note are projected investments in projects in relation to the conversions of biomass and ethanol and solar-related projects.

## 7.- Information on the Environment

The fundamental principles of Abengoa's environmental policy are to comply with the legal rulings and requirements in place at any given time, the prevention of or minimisation of adverse or damaging environmental factors, the reduction of the use of natural resources and energy sources and continuous improvement in environmental behaviour.

Abengoa, in response to our commitment to the sustainable use of and natural and energy sources, as clearly set out within our Common Management Systems (NOC), stipulates that all companies within the Group are required to implement and have certified environmental management systems in accordance with international standards (ISO 14001).

As a result of implementing this policy, as of the end of 2009, 84.96% of companies within the Group (based upon sales volume) had certified Environmental Management Systems ISO 14001.

The distribution of companies with certified Environmental Management Systems by business unit is set out below:

Business Group	ISO 14001-Certified Companies (% of sales)
Solar	73.25%
Information Technologies	78.63%
Industrial Engineering & Construction	88.65%
Environmental Services	97.26%
Bioenergy	74.52%

Abengoa views its tradition engineering business as nothing short of a valuable tool through which to construct a more sustainable world, being a philosophy which applies to all Business Units which make up the solar activities, biomass activities, waste activities, information technology and engineering. Abengoa applies technological solutions and innovations for sustainability.

#### Climate change and the emission of greenhouse gasses

Climate change, an undisputed scientific fact, caused by human activity. As such, the Kyoto Protocol set out a target to reduce by 5%, by 2012, the emissions of greenhouse gases (GHG), based on the emission levels of developed countries in 1990.

The emission of GHGs is related to the industrial activity of a country. As such, those countries with a higher level of industrialisation are those with the highest level of GHGs. To reduce such emissions, without affecting the GDP, it is necessary, amongst other measures, to develop clean industrial technologies, substitute the use of fossil energy fuel for renewable sources, and to change people's consuming habits. This is a challenge, not only for governments but also for companies and individuals. Agenda21 of the UN set out a framework for action to meet the targets of the 21st century through the integration of development and the environment.

The role of companies in the struggle against climate change may be summarised as the management of clean production and the promotion of responsible pledges, and to implement various actions:

- Management and knowledge of their own emissions: accounting and balancing such emissions, drawing the different 'inputs'.
- A plan to reduce and minimise emissions, raw material and 'inputs' used, and the solid and liquid residues, all through effective and considered planning.
- Emission labeling of products.
- Analysis of the lifecycles of products and businesses, with evaluations for potential improvements.
- Innovation.
- Align new businesses with sustainability.
- On a voluntary basis, the company can become carbon-neutral, purchasing carbon funds to compensate for their emissions.

In accordance with the above, Abengoa has put into effect an inventory of its greenhouse gases, so as to gain in-depth knowledge of its own (GHG) emissions across each activity of the company, direct and indirect; evaluate its position, and identify areas for improvement. Additionally, it enables the labeling of Abengoa's products and services, identifying the GHGs associated with each product or service, and to assess its suppliers in terms of their own GHG emission in relation to the products and services acquired by Abengoa.

## 8.- Stock Exchange Information

Abengoa, S.A. shares have been listed on the stock exchange since 29 November 1996 and the Company presents quarterly and half-year prospective information on a timely basis.

All Abengoa, S.A. shares were initially listed on the Stock Exchange in Madrid, Barcelona, and the Network Stock Exchange System on 29 November 1996, the date upon which an Initial Public Offering was undertaken (IPO) brought about by Inversión Corporativa I.C., S.A. and its subsidiary, Finarpisa, S.A., as well as other shareholder at that time.

To be able to undertake both processes (admission and the IPO) Abengoa, S.A. published a pre-issued Admission Prospectus and, together with their shareholders, a "Pre-issued initial public offering prospectus" (the IPO reporting requirements as required by the exchanges). Both documents were duly registered with the CNMV on 12 November 1996 and 21 November 1996, respectively.

The number of shares which were subject to the IPO totaled 33.03% of Abengoa, S.A.'s share capital, with the offer being completed on 29 November 1996, the date at which the listing became effective.

According to the data provided to Abengoa by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. on the occasion of the holding of the last Extraordinary General Meeting on 19<sup>th</sup> October 2009, Abengoa, S.A. had 10,982 shareholders.

As of 31st December 2009, the company understands that free float capital is 43.96% if the stock shares held by Inversión Corporativa I.C., S.A. and its affiliate Finarpisa (56.04%) are subtracted.

The last trading of Abengoa shares in 2009 amount to € 22.60 per share, 91.5% higher than that at the close of 2008 (€ 11.80 per share). The minimum, maximum and medium trading prices for 2009 were € 8.55 (on 9<sup>th</sup> March), € 23.15 (on 28<sup>th</sup> December) and € 16.28, respectively.

## 9.- Information on own Equity Instruments

- 9.1. Abengoa, S.A. and its subsidiaries, have complied with all legal prescriptions set out relating own equity instruments (see Note 10.1 hereinafter).
- 9.2. The parent company has not pledged its shares in any trading operations or any other legal forms. Nor are there any Abengoa, S.A. shares held by third parties which could operate in their own name but by the responsibility, other than the responsibility of the Companies of the Group.
- 9.3. Certain companies within the Group are contracted into share-based incentive schemes with managers and employees. These schemes are linked to the achievement of management objectives over the following years.

Additionally, Abengoa, S.A. has a Share Purchase Plan for the directors of the Group, approved by both the Main Board of Directors and by an extraordinary shareholders meeting on 16 October 2005.

- 9.4. Finally, it must be pointed out that the eventual reciprocal shareholding established with entities within the Group has been undertaken on a temporary basis in compliance with the requirements of the Law of Anonymous Companies.

For further information see Note 2.16 to this Consolidated Memory.

## 10.- Corporate Governance

### 10.1. Shareholding structure of the company

#### Significant shareholdings

The share capital of Abengoa, S. A. is recorded and monitored by Iberclear ("Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S. A."), and is made up of 90,469,680 shares, each of € 0.25 nominal value, all of the same class and rights, making up € 22,617,420 of share capital. All shares are listed for trading on the Madrid and Barcelona exchanges and on the "Sistema de Interconexión Bursátil Español (stock exchange link-up) since 29 November 1996.

In December 2007, Abengoa was selected by the "Comité Técnico Asesor" (technical advisory committee) of Ibex35 to enter and form part of this index as of 2 January 2008, a listing which has been maintained throughout 2009. The inclusion was the result of the periodic review of listed companies as undertaken by the Committee, in which, as well as the company's capitalisation, the volume of business undertaken and the sector in which the business operates is also taken into consideration. The Ibex 35 is the leading index in Spain as followed by national and international investors. The index groups together the 35 companies with the greatest listed share capital and level of business.

The most recent change to the share capital of the company was agreed at the General Shareholder Meeting on 24 June 2001 relating to a shares split, from 1 Euro to 0.25 Euros per share. As such, the number of shares increased from 22,617,420 to the current volume of 90,469,680. This change required that Articles of Association 6 and 21 be amended to reflect the new volume and nominal value of the shares, and, simultaneously, the cancellation of the original shares and the admission to the exchange of the new shares.

Last modification date	Share Capital (euros)	Number of Shares
24.06.01	22,617,420	90,469,680

As the company's shares are listed, and holdings recorded with information on significant shareholder listings (the "X-25") is provided by Iberclear, there is no other register of shareholders maintained by the company. Such information is provided by Iberclear for the Ordinary Shareholders meeting. Based upon the information received (the Iberclear list for 5 April 2008 and the notification of significant shareholders), the major shareholders at that time were:

Shareholders	% Equity
Inversión Corporativa IC, S.A. (*)	50.00
Finarpisa, S.A. (*)	6.04

(\*) Inversión Corporativa Group.

The number of shareholders registered by the "Ordinary General Annual Shareholders Meeting" as at 5 April 2008 was 10,720.

The company does not maintain a record of arrangements of agreements or pacts between shareholders of which those parties become obliged to undertake – through the voting rights which are available – being a common policy regarding the management of the company or to ensure that they have a significant influence upon the company.

In accordance with that as set out in Article 19 and pursuant to the Articles of Association, there do not exist limits upon the voting rights of shareholders in relation to the number of shares which they hold. The right to attend the shareholders meeting is limited, however, to those shareholders with over 1,500 shares, without prejudice to the rights of representation and grouping of as held by all shareholders.

Constitutional Quorum: on first notice, 25% of the share capital. On second notice any percentage. These reflect the same percentages as per the Law for Anonymous Companies. In those cases stated in Article 103 of said Law, the quorum coincides entirely with the Law.

Quorum for the adoption of agreements: by a simple majority vote by those present or represented at the Meeting. In those cases stated in Article 103 of the Law for Anonymous Companies, the quorum coincides entirely with the Law.

Shareholder rights: Shareholders have the right to information, in accordance with the applicable standards in force; the right to free delivery of the documentation related to the Shareholder Meeting; the right to vote in proportion to their shareholding, with no maximum limit; right to attend shareholder meetings if holding a minimum of 1,500 shares; economic rights (to dividends, as and when paid, and their share of company reserves); right of representation and delegation, of grouping and the right to undertake legal actions which compete to shareholders.

Active encouragement of shareholders participation: making the documentation related to the Shareholder Meeting freely available by post to shareholders, as well as announcements made on the company's website to give notice of the Shareholder Meeting. The option to grant a proxy vote, or to vote on an absentee basis may be undertaken via the appropriate completion of accredited attendance cards.

The Articles of Association do not limit the maximum number of votes of an individual shareholder or include restrictions to make it more difficult to gain control of the company through the acquisition of shares.

The proposed agenda to be presented at the Shareholders Meeting is published along with notice of the meeting via the website and the CNMV.

The Shareholder Meeting matters are voted upon separately, and in accordance with the item on the agenda, when substantially distinct from one another, so that voters may exercise their views separately for distinct matters to be addressed. This is particularly of note when it concerns the appointment or ratification or an amendment to the Articles of Association.

The Company allows for the vote of shareholders' appointed financial representatives to be split on the basis that they are acting on behalf of more than one shareholder, so that they may vote in accordance with the instructions of each individual shareholder whom they represent.

There are currently no agreements in effect between the company and its executive officers, managers or employees entitling the latter to severance pay or benefits if they resign or are wrongfully dismissed, or if the employment relationship comes to an end by reason of a public tender offer.

There is not any agreement between the company, the members of the board and employees regarding to severance pay or any other kind of compensation due to resignation or cease, or if the contractual relationship is ceased by a IPO.

### Purchase of own shares

At the Ordinary Shareholder Meeting of 5 April 2009 it was agreed to authorise the Board of Directors to acquire on a secondary basis, via a contract, own shares, be it directly, or via subsidiaries or other companies in which they have a holding, up to the limit as stipulated in the agreements in force, at a price of between three cents of a Euro (0.03 Euros) and one hundred and twenty Euros and 20 cents (120.20 Euros) per share, being able to do so during a period of 18 months as of said date and in accordance with the fourth section of chapter IV of the Amended Anonymous Company Law.

On 19 November 2007, the Company enters into a contract with Santander Investment Bolsa, S.V. for the purposes of, without interfering with the normal development of the market and in strict adherence to the requirements of the stock exchange, improving liquidity of the shares, in a way to ensure the stability of the listing, avoiding any variations which do not reflect the trends of the market. Although this contract does not comply with the conditions as set out in the memo "Circular 3/2007" dated 19 December of the CNMV, Abengoa has voluntarily been in compliance with the requirements of "Circular 3/2007" in this regard. The operations undertaken under the scope of this Contract have been communicated on a quarterly basis to the "Stock Exchange Commission (CNMV)" and have been published on the company website.

As of 31 December 2008 the total number of own shares held was 2,194,948 (relating to the above mentioned Liquidity Contract). As of 31st December 2009 the total number of own shares held was 145.455.

With regards to the operations undertaken during the year, the number of shares acquired through the Liquidity Contract was 14,704,779 and own shares sold was 16,754,272, with a net result from these operations of € 776,378.

### Details of the latest Shareholders Meeting

- 1) The Ordinary General Assembly of Shareholders of Abengoa dated 5<sup>th</sup> April 2009 was held with the concurrence of 62,638,115 shares, 69.23% of the total of the capital stock, held by 329 shareholders (69 present while 260 were represented) over a total of 10,720 registered shareholders.

Below are the decisions which were all approved by the favourable vote of the entire capital stock present or represented:

#### First Decision:

Approval of:

- 1º. The Annual Accounts (comprised of the Statement of Financial Position, Income Statement and Report, Statement of Changes in the Equity and Statement of Comprehensive Income) and the Abengoa, S.A. Management Report for the 2008 exercise;
- 2º. The Consolidated Annual Accounts of the Group (containing the Statement of Financial Position, Income Statement and Report, Statement of Changes in the Equity and Statement of Comprehensive Income Financial Statements, and the Consolidated Management Report for the 2009 exercise;
- 3º. The management of the Board of Administration for said exercise and the remuneration for its members, as set forth in the Annual Accounts.

Second Decision:

1º. To approve the following distribution of results for the 2008 exercise with the dividends that shall be distributed from 1<sup>st</sup> July 2009 onwards:

	Euro
Balance	55,699,919.61
Application:	
Voluntary Reserves	39,415,377.21
Dividend	16,284,542.40
<b>Total</b>	<b>55,699,919.61</b>

2º. To empower Felipe Benjumea Llorente, José B. Terceiro and the Secretary of the Board of Administration, Miguel Ángel Jiménez-Velasco Mazarío, such that any of them may enter the Company's Annual Accounts and Group's Consolidated Report into the Company Registry by simply providing an identity bearing the owners signature and indicating the destination, in accordance with the stipulations of the Law.

Third Decision:

To approve the Special Report on the Administrators' Remuneration Policy submitted to the General Assembly of Shareholders for the purpose of consultation, prepared by the Appointment and Remunerations Committee and approved by it and by this Board of Administration on 23<sup>rd</sup> February 2009.

To report on the scope of the Report on Article 116 bis of the Law on the Stock Market referring to certain aspects of corporate governance.

Fourth Decision:

Appointment of Accounts Auditor for the company and its group of companies, for a period of one year or, if need be, for the triennium 2009 - 2011, based on the proposal made by the Board of Administration on the basis of the proposal by the Appointment and Remunerations Committee in the meeting scheduled for 10<sup>th</sup> March 2009.

Fifth Decision:

To decide on the re-election of the following as board members, based on the proposal of the Appointment and Remunerations Committee dated 23<sup>rd</sup> February 2009, and due to the expiration of the four-year mandate conferred by the General Assembly of Shareholders in 2005: Felipe Benjumea Llorente, Javier Benjumea Llorente, José Luis Aya Abaurre, José Joaquín Abaurre Llorente and Miguel Ángel Jiménez-Velasco Mazarío, Daniel Villalba Vila and Carlos Sebastián Gascón, the last two board members, as independent members for the statutory four-year period.

Sixth Decision:

To ratify, in conformity with the stipulations of Article 153-1-b) of the Consolidated Text of the Law on Limited Liability Companies or PLC, the engagement of the power in the Board of Administration to increase the capital stock, on one or several occasions, up to eleven million three hundred and eight thousands seven hundred and ten Euro (€ 11,308,710) equivalent to fifty percent (50%) of the capital stock at the time of this authorization, through monetary contributions, with or without issuance bonus, agreed upon by the Ordinary General Assembly of Shareholders on 5<sup>th</sup> April 2009, on the occasions and the amount as the Board itself may deem necessary without the need for prior consultation with the General Assembly. Likewise, in conformity with the provisions of Article 159, section 2 of the Consolidated Text of the Law on PLC, to ratify engagement in the Board of Administration of the power to decide, if need be, whether or not to exclude the pre-emptive rights with regards to the capital increases that may be agreed upon based on this decision, should the circumstances envisaged in section 1 of the aforementioned Article occur, relating to corporate interest and as long as, in case of exclusion, the nominal value of the shares to be issued plus, as the case may be, the amount of the issuance bonus corresponds with the actual values in the report of the company's accounts auditors prepared, upon the request of the Board of Administration, for that purpose. To also authorize the Board of Administration to modify Article 6 of the Corporate Bylaws on the capital stock, upon completing the increase, with regards to amounts actually subscribed and disbursed.

In addition, in relation to the shares they issue in conformity with the previously reached decisions outlined above, to authorize the Board of Administration such that said Board of Administration may, at any time deemed opportune, issue and process an application to the National Stock Exchange Commission (CNMV), the Stock Exchange Governing Body, and through any Stock Exchange Company or Agency, for admission to trade on any of the Stock Markets of the aforementioned, fulfilling whatsoever requirements the valid laws may set forth.

Pursuant to Article 27 of the Regulation on Official Stock Exchanges, Minutes shall be taken of the declarations made by the shareholders on this decision.

Seventh Decision:

To ratify and extend the decision taken by the Ordinary General Assembly of Shareholders on 27<sup>th</sup> June 2004 in all its terms and for the legal period of five years, authorizing the Board of Administration to, by virtue of the stipulations of Article 282 and following of the Law on PLC, and within the period of five years set forth therein, issue debentures, bonds and whatsoever other certificates with any denomination representative of corporate loans or debt securities, whether or not convertible into or exchangeable for shares of the Company, up to the maximum permitted by the Law.

Eighth Decision:

To authorize the Board of Administration for the derivative acquisition of the Company's own shares through sale and purchase, whether directly or through its Subsidiary or participated Companies up to the maximum limit set forth in the valid provisions at a price between three cents of a Euro (€ 0.03) as a minimum and one hundred twenty Euros and twenty cents of a Euro (€ 120.20) per share as a maximum, with the authority to utilize this faculty for a period of eighteen (18) months counting from the very date, and subject to the stipulations of the Fourth Section of the Chapter IV of the Consolidated Text of the Law on PLC.

Ninth Decision: Engagement of Powers on the Board:

To specifically empower Felipe Benjumea Llorente, José B. Terceiro and Miguel Ángel Jiménez-Velasco Mazarío, such that either of them may, indistinctly and as special representative of this Assembly, appear before Notary Public, to grant the necessary and legal notarizations, if need be, of the entry into the Company Registry of the decisions taken as may be legally required, undersigning as many documents as may be deemed necessary in the execution of said decisions.

To also authorize the Board of Administration, with the faculty of substitution, such that they may freely interpret, apply, execute and carry out the decisions taken, even rectifying and fulfilling them, and as legally permitted, they may confer powers upon any of the members to grant any deed of correction or any complementary deed that may be necessary to correct or rectify any error, defect or omission that could be an impediment to the registration of any decision whatsoever, complying with whatsoever requirements that may be legally set forth for the effectiveness of the aforementioned decisions.

- 2) The Extraordinary General Assembly of shareholders of Abengoa dated 27<sup>th</sup> July 2009 was held with the concurrence of 63,361,828 shares, 70.037% of the total of the capital stock, held by 239 shareholders (24 present and 215 were represented) over a total of 10,795 registered shareholders.

Below are the decisions which were all approved by the favourable vote of the entire capital stock present or represented:

First:

- A. To agree on the novation by amendment of the Terms and Conditions of the exchangeable bonds issued, by virtue of the decision of the General Assembly of Shareholders dated 27<sup>th</sup> June 2004 and by virtue of the decisions of the Board of Administration dated 22<sup>nd</sup> and 24<sup>th</sup> June 2009, granting authorization for the Company to be able to convert the aforementioned Bonds into shares of new issuance to meet its obligations derived from the act of the Bondholders exercising their rights of exchange. Thus, and upon the due entry of this decision into the Company Registry, it shall be understood that the Terms and Conditions of the Bond as prerequisites for the Issuer to meet its obligations by handing over the Company's ordinary shares of new issuance have been fulfilled forthwith.

The aforementioned novation by amendment of the Bonds which shall permit their convertibility into the Company's shares of new issuance requires the exclusion of pre-emptive rights which, by virtue of Article 293 of the Law on PLC, are reserved to the shareholders of the Company.

The exclusion of the pre-emptive rights of the shareholders of the Company shall remain duly justified on the basis of the exigencies of corporate interests and of the reasons outlined by the Administrators in the relevant report accompanying this proposal and made available to the Shareholders from the moment of the convening of the Assembly. Likewise, the accuracy of the content of the report from the Administrators is backed by a report issued by the independent Accounts Auditor appointed by the Company Registry and which is also accompanying this proposal and made available to the Shareholders from the moment of the convening of the Assembly.

- B. In the event that the Extraordinary General Assembly of shareholders failed to approve the novation by amendment proposed to permit the convertibility of the Bonds such that the Company may react to the exchange requests from investors through the hand over of the Company's shares of new issuance, the issuance of the Bonds shall remain in vigour and with full validity and effectiveness under the terms agreed upon by the Board of Administration on 22<sup>nd</sup> and 24<sup>th</sup> June 2009.
- C. The bases and modalities of conversion shall be as established for the exchange in the decisions taken by the Board of Administration on 22<sup>nd</sup> and 24<sup>th</sup> June 2009 previously set forth and under the Terms and Conditions attached to this Decisions Proposal.

Whatsoever references made to Exchange established in the Terms and Conditions (for example, Price of Exchange, Date of Exchange, etc.) shall be understood hereunder as also referring to the Conversion (for example, Price of Conversion, Date of Conversion, etc.) pursuant to the terms herein which authorizes the Company to convert the aforementioned Bonds into shares of new issuance to meet the obligations derived from the act of the Bondholders exercising their rights of exchange.

- D. Pursuant to Article 292 of the Law on PLC, a decision is taken to increase the capital stock in any amount necessary to attend to the conversion of the Bonds that may be requested by their holders in accordance with the Terms and Conditions of the issuance and up to a maximum corresponding to the maximum number of shares that may be issued by the Company taking into account the Price of Exchange/Conversion but subject to the possible adjustments set forth in the Terms and Conditions. Said capital increase shall be totally or partially executed by the Board of Administration on each occasion it may be deemed necessary to attend to the conversion of the Bonds, by issuing ordinary shares of new issuance of the same nominal value and with the same content of rights as the ordinary shares that may be in circulation on the date or dates of the execution of the corresponding decision to increase. Each time the Board of Administration executes this Decision, the article of the Corporate Bylaws of the Company relating to capital shall be modified in the manner indicated.
- E. The number of ordinary shares of new issuance that shall be issued upon exercising a right of exchange/conversion shall be determined by dividing the corresponding nominal amount of the Bond or Bonds between the Price of Exchange/Conversion in vigour on the pertinent Date of Exchange/Conversion.
- F. A decision is taken to apply for the new shares to be admitted to trade on the Stock Markets of Madrid, Barcelona, and on the Spanish Exchange Electronic Trading System (SIBE). The Board of Administration is hereby empowered to delegate in any of the members of the Board of Administration to issue the corresponding applications, prepare and submit all the relevant documents under the terms deemed convenient and to carry out as many acts as may be necessary to that effect.
- G. This decision was taken after the Proposal and Supporting Report from the Board of Administration and the preceptive Reports from the independent Accounts Auditor appointed by the Company Registry had been made available to the shareholders of the Company in compliance with the stipulations set forth in the Law on PLC, and for the purpose of the stipulations of Articles 144, 153.1.a), 292 and 293 of the Law on PLC, as amended when Law 3/2009 of 3<sup>rd</sup> April, on structural modifications, entered into vigour.

- H. Notwithstanding the engagement of the specific powers in the sections above, the Board of Administration is empowered, with the extension required by Law and with the specific faculties of substitution in any of the members of the Board of Administration, such that any of them may execute this Decision, and, for indicative but not for limitative purposes, may be particularly empowered:
- (a) To increase the capital of the Company by issuing and circulating, on one or several occasions, the capital shares that may be necessary to ensure the conversion of the Bonds, and to modify the article of the Corporate Bylaws relating to capital, thus rendering void the part of said capital increase that may not be deemed necessary for the conversion of the shares, and to apply for admission to trade the newly issued shares on the Stock Exchange of Madrid, Barcelona, Bilbao and Valencia, through the Spanish Exchange Electronic Trading System (SIBE).
  - (b) To correct, clarify, interpret, specify or complement the decisions taken by the General Assembly of Shareholders, in as many deeds or documents as may be granted in their execution and, particularly, as many defects, omissions or errors, in substance or in form, that may be an impediment to the decisions and their consequences in accessing the Company Registry, Official Registries of the CNMV or any other registries whatsoever.

In view of the above, the shareholders are requested to grant approval to the proposal submitted by the Board of Administration.

#### Second

Notwithstanding the authorizations conferred by the General Assembly in the decisions stated above, the Board of Administration is vested the most extensive powers permitted by law that may be necessary for setting, completing, executing and modifying the decisions taken by the General Assembly, processing all documents whatsoever that any organism or public or private entity may require, and fulfilling as many requirements as may be legally necessary for executing, completing and correcting omissions or defects in all the decisions taken by the Assembly, granting as many public or private documents deemed necessary or convenient for the adaptation of the decisions taken to the verbal or written qualification of the Company Registry and of any other authorities, civil servants or competent institutions, doing whatsoever acts deemed necessary or convenient for their good accomplishment and, in particular, to ensure their entry into the relevant Company Registry.

Power is hereby vested upon the Board of Administration to substitute, in any Board Member of the company, all or part of the powers conferred by this General Assembly both by virtue of the preceding decisions as well as by this decision.

The Extraordinary General Assembly of shareholders of Abengoa dated 19<sup>th</sup> October 2009 was held with the concurrence of 65,306,263 shares, 72.186 % of the total of the capital stock, held by 402 shareholders (31 present and 371 represented) over a total of 10,982 registered shareholders.

Below are the decisions which were all approved by the favourable vote of the entire capital stock present or represented:

#### First

To modify Article 18, Debentures, of the Corporate Bylaws, leaving it as follows, for the purpose of adjusting it to comply with the valid laws, eliminating the maximum limit suppressed by Article 111 bis of the Law on the Stock Exchange:

“Article 18.- Issuance including convertible and/or exchangeable and other negotiable securities.

The Company may issue under the terms and within the legally envisaged limits.

The convertible and/or exchangeable that the Company may issue may be issued based on fixed (specified or unspecified) or variable exchange.

The Company may issue promissory notes, warrants, preferential stock shares or other negotiable securities other than those envisaged in the previous sections.

Under the terms legally envisaged, the General Assembly may confer power upon the Board of Administration to issue ordinary or convertible and/or exchangeable, warrants or other securities envisaged in the previous sections, even, if need be, the power to exclude pre-emptive rights. The Board of Administration may make use of said engagement on one or several occasions and during a maximum period of five (5) years.

Likewise, the General Assembly may authorize the Board of Administration to specify the moment it will carry out the issuance agreed upon and to set the other conditions not envisaged in the decision of the General Assembly.

The Company may also guarantee the securities issued by its subsidiaries.”

#### Second

To confer upon the Company's Board of Administration, pursuant to Article 319 of the Company Registry Regulations and the general system on the issuance of debentures, for a period of five (5) years, and with the specific power of substitution in any of its members, the power to issue, on one or several occasions, whatsoever fixed-income securities or debt instruments of analogous nature (including, but not limited to, debenture bonds, promissory notes or warrants), and fixed-income or other types of securities (including warrants) convertible into the Company's shares and/or exchangeable for the Company's shares or for the shares of other companies within or without the Company's Group, for a maximum amount of Five Thousands Million Euros (€ 5,000 M). Engagement of the power, with the specific power of substitution in any of its members, to fix the criteria for determining the bases and modalities of the conversion, exchange or exercise of the power to increase the capital stock in the amount necessary to meet the corresponding applications for conversion or exercise, and the power to exclude the pre-emptive rights of the shareholders, in conformity with the stipulations of Article 293.3 of the Law on PLC and the rest of the applicable regulations.

Said engagement upon the Company's Board of Administration shall be executed in conformity with the following conditions:

1. Securities that may be issued. The securities referred to by this engagement may be debentures, bonds and other fixed-income securities or debt instruments of analogous nature in any of the forms admissible by Law, including, but not limited to, debenture bonds, promissory notes or warrants or other analogous securities that may grant direct or indirect rights to the subscription or acquisition of the Company's shares, newly issued or already in circulation, that may be liquidated through physical delivery or by differences. This engagement also entails fixed-income securities and warrants convertible into the Company's shares and/or exchangeable into the Company's shares or into shares of other companies within or without the Company's Group.
2. Term. The securities may be issued on one or several occasions, at any time, within the maximum period of five (5) years counting from the date this decision is taken.

3. Maximum amount of the engagement. The total maximum amount of the issuance or issuances of the securities agreed upon by virtue hereof shall be Five Thousands (€ 5,000) Million Euro or its equivalence in another currency.

For the purpose of calculating the aforementioned limit, in the case of the warrants, the sum of bonuses and prices of the exercise of the warrants of each issuance approved pursuant to this engagement shall be taken into account. On the other hand, for fixed-income securities, for the purpose of the previous limit the outstanding balance of the issued pursuant thereof shall be taken into account.

It is hereby stated that, pursuant to Article 111 bis of Law 24/1988, of 28<sup>th</sup> July, on the Stock Exchange, the limitation envisaged in Article 282.1 of the Law on Limited Liabilities is not applicable to the Company in the issuance of debentures and other securities that recognize or create indebtedness.

4. Scope of engagement. The engagement this decision refers to shall extend, as widely as required by Law, to the setting up of the various aspects and conditions of each issuance. In particular, and merely for explanatory but not limiting purposes, the Company's Board of Administration shall determine the amount for each issuance, and always within the overall quantitative limits set forth: the place of the issuance (whether in or outside Spain) and the currency and, if outside Spain, its equivalence in Euro; the denomination, whether bonds or debentures or any other admitted by Law (even if subordinated); the date or dates of issuance; if the securities are not convertible, the possibility that they may be partially or totally exchangeable for the pre-existing shares of the Company or of other companies within or without the Company's Group, and the necessary or voluntary circumstance of being convertible or exchangeable, and, in the latter, at the option of the securities holder or of the Company, or to incorporate a purchase or subscription option right over the shares referred to; the interest rate, dates and the coupon payment procedures; the perpetual or redeemable nature and, in the case of the latter, the period of amortization and the maturity date; the type of reimbursement, bonuses and batches, guarantees, even mortgage-types; the form of representation, by certificates or entries into accounts; the number of securities and their nominal value, which, in the case of convertible and/or exchangeable securities, shall not be less than the nominal value of the shares; pre-emptive rights, if appropriate, and the subscription system; the applicable laws, Spanish or foreign; to apply for, if appropriate, admission to trade on official or non-official secondary markets, organized or not, Spanish or foreign, of the securities issued under the requirements set forth each time by the valid regulations; and, in general, any other condition of the issuance, as well as, as the case may be, to appoint the trustee of the corresponding syndicate of the holders of the securities that may be issued and to approve the basic rules that shall govern the legal relationship between the Company and said syndicate which, if appropriate, may exist.

The engagement also includes the Board of Administration being attributed the power to decide on the conditions of amortization of the securities issued by virtue of this authorization, and for such purpose it may employ any of those envisaged in the Law on PLC in that regard. Likewise, the Board of Administration is hereby empowered to modify the terms and conditions of such securities if it deems convenient and if it obtains the official authorizations that may be necessary and, if appropriate, in conformity with the assemblies of the corresponding syndicates of the holders of the pertinent securities that may be issued under this authorization.

5. Bases and modalities of the conversion. In the case of the issuance of fixed-income securities convertible into shares (in the last instance, whether into shares of the Company or into shares of companies belonging or not to the Group of the Company) and for the purpose of determining the bases and modalities of the conversion, the following criteria are hereby established:

The securities issued by virtue of this decision may be converted into newly issued shares of the Company or into shares of companies belonging or not to the Group of the Company, based on fixed (specified or unspecified) or variable conversion, and the Board of Administration shall be empowered to decide whether they are convertible, and to determine whether they are necessarily or voluntarily convertible, and in the event of being voluntarily, on the option of their holders or the Company, with the frequency and within the period set forth in the issuance decision and which shall in no way whatsoever exceed fifteen (15) years counting from the corresponding date of issuance.

For the purpose of the conversion, the fixed-income securities shall be evaluated by the nominal amount and the shares at the exchange rate specified in the decision of the Board of Administration in which this engagement is utilized, or at the exchange rate that may be set on the date or dates indicated in the very decision of the Board of Administration, and based on the value of the shares of the Company trading on the Spanish Stock Exchange on the date/s or period/s taken as reference in the same decision, with or without discount.

They may also decide to issue fixed-income securities convertible with a variable conversion rate. In this case, the price of the shares for the purpose of conversion shall be the arithmetic mean of the closing prices of the Company's shares on the Electronic Market during a period to be specified by the Board of Administration. The bonus or discount may be different for each date of conversion of each issuance (or, if appropriate, each tranche of issuance).

In the event that the securities of the corresponding issuance are convertible, the Board of Administration may establish that the Company reserves the right to opt at any time between conversion into newly issued shares of the Company, specifying the nature of the shares to hand over during the conversion or exchange, or even opting between handing over a combination of newly issued shares and pre-existing shares of the Company.

Where the conversion is appropriate, the fractions of the share that, if need be, may have to be handed over to the holder of the securities shall be rounded up by default to the whole number immediately below and each holder may receive cash, if so established by the Board of Administration, for the difference that such situation may cause.

The value of the share shall in no way whatsoever be lower than the nominal value for the purpose of the conversion of the securities for shares. Likewise, pursuant to Article 292.3 of the Law on Limited Liability of Companies, fixed-income convertible securities may not be issued for less than their nominal values and said securities may not be converted into shares if their nominal value is less than them.

When approving an issuance of securities pursuant to this authorization granted by the General Assembly, the Board of Administration shall issue a report based on the criteria described above explaining and specifying the bases and modalities of the conversion specifically applicable to the issuance indicated, which shall be accompanied by the corresponding report from the accounts auditors, both envisaged in Article 292.2 of the Law on PLC.

6. Rights of Holders of Convertible and Exchange Securities. As long as it is possible to convert and/or exchange the securities that may be issued into shares, their holders shall have all the rights granted them by the current laws.
7. Capital increase, Exclusion of Pre-emptive Rights in Convertible Securities. For explanatory but not limiting purposes, the Board of Administration's engagement envisaged herein also entails the following powers:

The power so that the Board of Administration, pursuant to Article 293.3 of the Law on PLC, may partially or totally exclude the pre-emptive rights of the shareholders, if it is demanded for the capture of financial resources on the international market, to use techniques of prospection of the demand or of any other manner justified by the interest of the Company. Whatever the case may be, should the Board of Administration decide to eliminate the pre-emptive rights over a specific issuance of convertible securities eventually decided upon pursuant to this authorization, the moment it approves the issuance and in conformity with the stipulations of Article 293.3 of the Law on PLC, it shall issue a report giving the specific reasons of corporate interest justifying said measure, which shall be object of the correlative report from the Accounts Auditor referred to in the article cited above. Said reports shall be made available to the shareholders and the General Assembly shall be informed thereof at the next meeting held after said issuance.

In accordance with Article 153.1b) of the Law on PLC, the power to increase the capital stock in the amount necessary to meet the requests for the conversion of convertible securities issued according to this engagement. Said power shall only be executed such that said increases of the Board of Administration do not, together with whatsoever other capital increases it may carry out by virtue of any other debentures of capital increase that may be available, exceed the limit of half of the capital stock stipulated in Article 153.1.b) of the Law on PLC and counted at the time of this authorization. This authorization to increase the capital stock includes that of issuing and circulating, on one or several occasions, the capital shares that may be necessary to ensure the conversion and, pursuant to Article 153.2 of the Law on PLC, that of modifying the article of the Corporate Bylaws relating to the amount of capital stock and, if need be, that of rendering void the part of said capital increase that may not be deemed necessary for the conversion into shares. Pursuant to Article 159.4 of the Law on PLC, the capital increase that the Board of Administration may carry out to meet such requests of conversion shall not permit the exercise of pre-emptive rights by the Company's shareholders.

The power to plan and specify the bases and modalities of the conversion and/or exchange, considering the criteria established in section 5 above and, in general and under its most extensive terms, the determination of whatsoever terms and conditions deemed necessary or convenient for the issuance. In the subsequent General Assemblies the Company may hold, the Board of Administration shall inform the shareholders on the use of the engagement to date, if need be, on the issuing of fixed-rate convertible and/or exchangeable securities.

8. Warrants: The regulations envisaged in sections 5 to herein shall be applicable mutatis mutandis in the event that the issuance of the warrants or other analogous securities that may directly or indirectly grant rights to the subscription of the Company's newly issued shares or the Company's shares already in circulation, with the engagement entailing the most extensive powers, with the same scope as previous sections, to decide on whatsoever it deems convenient in relation to said class of securities.

9. Admission to Trade. When appropriate, the Company shall apply for admission to trade on official or non-official secondary markets, organized or not, Spanish or foreign, of the securities issued by virtue of the engagement, empowering the Board of Administration to handle all processing and take all the actions necessary before the competent the organs of the various Spanish and foreign stock markets in order to gain the admission to trade.
10. Guarantees by the companies of the Group for issuing the fixed-income securities. The Board of Administration of the Company is also hereby empowered to give the guarantee in the name of the Company, within the limits pointed out above, for the newly issued securities (even convertible or exchangeable) which the companies belonging to its group may produce throughout the validity hereof.
11. Faculties of Engagement and Substitution and Granting of Powers. The Board of Administration is hereby authorized to confer upon any of its members and/or on the Secretary of the Board of Administration the powers conferred by virtue of this decision that may be legally conferred and so that it may grant the pertinent powers deemed necessary to the employees of the Company to act on said conferred faculties.

### Third

Authorization of the Board of Administration to interpret, correct, complement, execute, substitute the faculties and adapt the decisions taken by the General Assembly.

Notwithstanding the authorizations conferred by the General Assembly in the decisions stated above, the Board of Administration, with specific powers of substitution in any of its members and/or in the Secretary of the Board of Administration, is vested the most extensive powers permitted by law that may be necessary for setting, completing, executing and modifying the decisions taken by the General Assembly, processing all documents whatsoever that any organism or public or private entity may require, and fulfilling as many requirements as may be legally necessary for their execution, completing and correcting omissions or defects in all the decisions taken by the Assembly, granting as many public or private documents deemed necessary or convenient for the adaptation of the decisions taken to the verbal or written qualification of the Company Registry and of any other authorities, civil servants or competent institutions, doing whatsoever acts deemed necessary or convenient for their good accomplishment and, in particular, to ensure their entry into the relevant Company Registry.

With the aim of reinforcing the transparency in limited liability companies, with the exception of what is described below, the members of the Board of Administration have not held shares in the capital of companies which directly maintain activities that are analogous, complementary or the same as the ones that constitute the corporate purpose of the Parent Company since 19<sup>th</sup> July 2003, the validity date of Law 26/2003 which modifies Law 24/1988 of 28<sup>th</sup> July, which governs the Stockmarket, and the Consolidated Text of the Law on Public Liability Companies. Likewise, they have not and neither are they engaged in activities which are the same, analogous or complementary to the corporate purpose of Abengoa, S.A., whether for themselves or for others.

Below is a list of the board members serving posts of administrators or directors in the other companies that make up the group:

Name	Company	Post
José Joaquín Abaurre Llorente	Telvent Tráfico y Transporte, S.A.	Board Member
María Teresa Benjumea Llorente	Telvent Tráfico y Transporte, S.A.	Board Member
Carlos Sebastián Gascón	Abengoa Bioenergía, S.A.	Board Member
Daniel Villalba Vila	Abengoa Bioenergía, S.A.	Board Member
José B. Terceiro Lomba	Telvent GIT, S.A.	Board Member
José B. Terceiro Lomba	Bioetanol Galicia, S.A.	Board Member

Below is a list of Board Members that are members of other traded companies:

Name	Traded Company	Post
Felipe Benjumea Llorente	Iberia Líneas Aéreas de España, S.A.	Board Member
Aplicaciones Digitales S.L.	Promotora de Informaciones, S.A.	Board Member
Aplicaciones Digitales S.L.	Iberia Líneas Aéreas de España, S.A.	Board Member
Daniel Villalba Vila	Vueling, S.A.	Board Member

In accordance with the significant shares registration kept by the Company in fulfilment of what is established in the Internal Rules of Conduct on matters of the Stockmarket, the percentage of shares the administrators hold in the capital of the Company as at 31<sup>st</sup> December 2009 are as follows:

	% Direct	% Indirect	% Total
Felipe Benjumea Llorente	0	814,111	0.900
Aplicaciones Digitales, S.L.	925,814	0	1.023
Alicia Velarde Valiente	400	0	0.000
Carlos Sebastián Gascón	13,000	12,000	0.028
Carlos Sundheim Losada	47,027	0	0.052
Daniel Villalba Vila	12,780	0	0.014
Fernando Solís Martínez-Campos	50,832	34,440	0.094
Ignacio Solís Guardiola	15,336	0	0.017
Javier Benjumea Llorente	3,888	0	0.004
José Joaquín Abaurre Llorente	1,900	0	0.002
José Luis Aya Abaurre	55,076	0	0.061
María Teresa Benjumea Llorente	12,390	0	0.014
Mercedes Gracia Díez	500	0	0.001
Miguel Martín Fernández	5,900	0	0.007
José Borrell Fontelles	1,000	0	0.001

## 10.2. Company Management Structure

### The Board of Directors

#### a) Composition: number and identity

Following changes to Article 39 the Corporate Bylaws, as agreed by shareholders and the Ordinary Shareholders Meeting held 15 April 2007, the maximum number of members of the Board of Directors has been set at fifteen, with respect to the nine established until that time. This modification reinforced the structure of the administration body through a number of managers that allows, on one hand, a more diversified composition and, on the other, facilitates the delegation and adoption of agreements with minimal attendance thereby ensuring a multiple and plural presence in the Board of Directors.

Maximum number of Directors	15
Minimum number of Directors	3

In agreement with the recommendations established in the Unified Code of Good Government of Listed Companies, the composition of the Board bears the capital structure in mind; this enables the Board to represent in a stable fashion, the highest possible percentage of the capital and ensures protection of the general interests of the Company and its shareholders. The Board is provided, moreover, with a degree of independence in concert with the practices and professional needs of any company. Its current composition is the following:

Abaurre Llorente,	José Joaquín
Aya Abaurre,	José Luis
Benjumea Llorente,	Felipe
Benjumea Llorente,	Javier
Benjumea Llorente,	M <sup>a</sup> Teresa
Borrell Fontellés,	José
Gracia Díez,	Mercedes
Martín Fernández,	Miguel
Sebastián Gascón,	Carlos
Solís Guardiola,	Ignacio
Solís Martínez-Campos,	Fernando
Sundheim Losada,	Carlos
Terceiro Lomba,	José B. (representing Aplicaciones Digitales, S.L.)
Velarde Valiente,	Alicia
Villalba Vila,	Daniel

The total number of directors is considered to be adapted to ensure the necessary representation and the effective functioning of the Board of Directors.

Without prejudice that the independence is a condition that must be common to any director, without distinction due to his or her origin or appointment, basing his condition on reliability, integrity and professionalism in his or her undertakings, in agreement with the guidelines included under Law 26/2003, in the O. M. 3722/2003 and in the Unified Code of Good Governance of Listed Companies, the classification of the current directors is as follows:

Felipe Benjumea Llorente	- Chief Executive Officer
José B. Terceiro (representing Aplicaciones Digitales, S.L.)	- Executive (Vice-President) - Member of the Audit Committee - Member of the Appointment and Remuneration Committee
José Joaquín Abaurre Llorente	- External, weekly assistant - Member of Audit Committee
José Luis Aya Abaurre	- External, weekly assistant - Member of the Appointment and Remuneration Committee
Javier Benjumea Llorente	- External, weekly assistant
M <sup>º</sup> Teresa Benjumea Llorente	- External, weekly assistant
José Borrell Fontelles	- Independent
Mercedes Gracia Díez	- Independent - Member of the Audit Committee
Miguel Martín Fernández	- Independent - Member of the Audit Committee
Carlos Sebastián Gascón	- Independent - Chairman of the Audit Committee - Member of the Appointment and Remuneration Committee
Ignacio Solís Guardiola	- External, weekly assistant
Fernando Solís Martínez-Campos	- External, weekly assistant
Carlos Sundheim Losada	- External, weekly assistant
Daniel Villalba Vila	- Independent - Chairman of the Appointment and Remuneration Committee - Member of the Audit Committee
Alicia Velarde Valiente	- Independent - Member of the Appointment and Remuneration Committee

As may be seen in the table above, the Board is made up of a majority of external, non-executive directors.

#### b) Organisational and functional rules

The Board of Directors is governed by the Board Regulations, by the Corporate Bylaws and by the Internal Securities Exchange Code of Conduct. The Board Regulations were initially approved by the Board at a meeting on 18 January 1998, clearly in anticipation of the current rules of good governance and internal efficient application. The most recent update of note took place on 29 June 2003, in order to incorporate matters relating to the Audit Committee as established under the Financial System Reform Act.

- Structure:

The Board of Directors is currently made up of 15 members. The Board Regulations cover the composition of the Board, the functions and its internal organisation; additionally, there is the Internal Stock Exchange Code of Conduct, the scope of which covers the Board of Directors, senior management and all those employees who, due to their skills or roles, are also impacted by its content. The Shareholder Meeting rules cover the formal aspects and other aspects of the shareholder meetings. Finally, the Board is supported by the Audit Committee and the Remuneration Committee, which in turn are subject to their own respective Internal Governance Rules. All such rules, included within the revised Internal Corporate Governance Rules, are available on the Company website, [www.abengoa.com](http://www.abengoa.com).

Since its inception, the Remuneration Committee has been analysing the structure of the governing bodies of the Company and has worked to align such bodies with regulations in force regarding governance, focusing in particular on the historical and current configuration of such ruling bodies within Abengoa. Consequently, in February 2007 the committee recommended the creation of a Coordination Director, as well as the dissolution of the Advisory Committee to the Board of Directors. The first recommendation was to align the Company with the latest corporate governance recommendations in Spain in 2006; the second recommendation reflected that the advisory board had completed the role for which it was established in the first place, and that its coexistence with the remaining company bodies could create a potential conflict of roles. Both proposals were approved by the Board of Directors in February 2007 as well as by the shareholders at the ordinary general meeting on 15 April of the same year.

Finally, in October 2007 the Committee proposed to the Board the resignation of Mr. Javier Benjumea Llorente as Vice-president, along with the revoking of any powers which had been granted, and the naming of a new representative, being an Abengoa representative, being an Abengoa representative, or a Focus-Abengoa Foundation representative, for all those entities where he would have a responsible post.

On the basis of the foregoing, the committee decided that it would be opportune to repeat the study on numbers and conditions of the vice-president to the Board of Directors within the current structure of the company's governing bodies.

As a result, the Committee considered it necessary that the vice-president of Abengoa hold the powers as per the Law for Anonymous Companies so that, on the one hand, he or she is granted full representation of the company and, on the other, the functions of the president of the board. On this basis it was considered that the Coordinating Director – in accordance with the responsibilities as assigned to the role by the Board of Directors (February 2007) and at the Shareholder Meeting (April 2007) – was ideal for the role, in addressing the corporate governance recommendations and the structure of the company, as well as the composition and diversity of the directors. The coordination director already has the duty to take into account the concerns and goals of the board members and, to achieve this, has the power to call Board meetings and to add items to the agenda. As this role was more in substance than in title, considered the interests of the directors, and reflected a certain representation of the Board, it was considered appropriate to recognise this institution and comprehensive representation.

For the reasons mentioned, the Committee deemed it appropriate to propose Aplicaciones Digitales, S. L. (Aplidig, represented by Mr. José B. Terceiro Lomba), the current Coordination Director, as the new Vice-President of the Board. Additionally, within the representative duties, it was proposed that the vice-president, in conjunction with the president, would represent Abengoa as president of Focus-Abengoa Foundation, as well as for other foundations and institutions in which the company is or should be represented.

In light of the above, on 10 December 2007 the Board of Directors approved the appointment of Aplicaciones Digitales, S. L. (represented by Mr. José B. Terceiro Lomba), the current Coordination Director, as the new Vice-President of the Board, with unanimous consent of the independent directors regarding the retention of his role as coordination director despite being promoted to an executive board member role. Additionally, within the representative duties on 23 July 2007, the Board approved that the vice-president, in conjunction with the president, would also represent Abengoa as Chairman of the Focus-Abengoa Foundation Board, as well as for other foundations and institutions in which the company is or should be represented.

The Chairman of the Board, as the leading executive of the Company is granted full powers excluding those which by law are not assignable to the Board of Directors regardless the Board-attributed faculties and competences. With regards to the vice-president, also an executive role, he or she holds at the same time power over the aforementioned faculties.

- Functions:

The role of the Board of Directors is to undertake the necessary actions so as to achieve the corporate objectives of the Company. It is empowered to determine the financial goals of the company, agree upon the strategies necessary as proposed by senior management so as to achieve such goals, assure the future viability of the company and its competitiveness, as well as adequate leadership and management, supervising the development of the Company's business.

- Appointments:

Shareholder meetings, or when applicable the Board of Directors, within the established rules and regulations, are designated the authority to appoint members of the Board. The appointee will be required to demonstrate that they have the necessary legal requirements, that they are trustworthy and that they have the required knowledge, prestige and sufficient professional references so as to undertake the functions of director.

Directors are appointed for a maximum of 4 years, although may then be re-appointed.

- Cease of directors:

Directors will be removed from their position at the end of their tenure or under any other circumstances in accordance with the appropriate laws. Further, they should relinquish their role as Directors in the event of any incompatibility with, prevention of, a serious charge against, or non-compliance with their obligations as Directors.

- Meetings:

In accordance with Article 42 of the Company Bylaws, the Board of Directors will meet as deemed necessary given the demands of the Company or, as a minimum requirement, three times annually, with the first meeting during the first quarter of the year. During 2009, the Board met a total of 15 times, in addition to a meeting between the Board of Directors and senior management.

- Duties of the Directors:

The function of the director is to participate in the direction and control of management of the Company for the purposes of and with the aim of maximising its value for shareholders. Each director operates with the diligence and care of a loyal and dedicated professional, guided by the company's interests, as a representative with complete independence to defend and protect the interests of the shareholders.

By virtue of their appointment, the directors are required to:

- Prepare and be sufficiently and properly informed for each meeting.
- Actively assist and participate in the meetings and decisions.
- Avoid conflicts of interest and, in the event that they arise, to communicate such conflicts to the Company through the Board of Directors' Secretary.
- Not to undertake duties for competing entities.
- Not to use Company information for personal purposes.
- Not to use the Company's business opportunities for their own interest.
- Maintain full confidentiality regarding information received within their role as Director of the Company.
- Abstain from voting on proposals that may have an effect on them.

- The Chairman:

The Chairman, in addition to the Company Bylaws and legal requirements, is the senior-most executive of the Company, and as such is effectively responsible for the management of the Company, in accordance always with the criteria and decisions of the Board of Directors and the Shareholder meetings. The Chairman is responsible for implementing the decisions made by the company's management bodies, through application of the powers as permanently granted to him by the Board of Directors, which he represents in all aspects. The Chairman also casts the deciding vote on the Board of Directors.

The Chairman is also the Chief Executive Officer. The following measures are in place to prevent an accumulation of power.

Under Article 44 bis of the Company Bylaws, on 2 December 2002 and 24 February 2003 the Board of Directors agreed to appoint the Audit Committee and the Appointment and Remuneration Committee.

These committees have the powers, which may not be delegated, as per the Law, the Company Bylaw and internal regulations, acting as regulatory body and supervisory body associate with the matters over which they chair.

Both are chaired by a non-executive independent director and are comprised of a majority of non-executive directors.

- The Secretary:

The Secretary to the Board of Directors undertakes those responsibilities as required by law. Currently the role of Secretary and that of Legal Counsel to the Board is undertaken by the same person, being responsible for the correct calling of meetings and that resolutions are properly implemented by the Board. In particular, he will advise the Board as to the legality of proposed deliberations and decisions and upon compliance with the Company's internal corporate governance regulations, making him responsible as a guarantor of the legality, both in law and in substance, of the actions of the Board.

The Secretary, as a specialised role, guarantees the legality in law and in substance of the actions of the Board, with the full support of the board to perform their duties with independent judgement and substance. He or she is also responsible for safeguarding the internal rules of corporate governance.

- Resolutions:

Decisions are made by a simple majority of those directors present at the meeting (present or represented) in each meeting, with the exception of legal matters as previously set out.

c) Compensation and other benefits

- Salaries:

Directors are remunerated in accordance with Article 39 of the Company Bylaws. The director's remuneration may consist of a fixed amount as agreed at the Shareholders Meeting, and need not be equal for all directors. Additionally they may receive a proportion of retained earnings of the Company, of between 5 and 10 percent, maximum, of earnings after dividends in the year to which the remuneration relates. Additionally, costs of relocations are recovered, if undertaken as part of their role as Director.

The remunerations paid during the 2009 exercise to the whole members of the Board of Administration as such, amounted to € 8,603,000 in concept of remunerations, both fixed as well as variable and allowances (5% less than in 2008) and € 221,238 in other concepts.

Below is the individualized detail of the remunerations paid during the 2009 exercise to the whole members of the Board of Administration (in thousands of Euro):

Name	Attendance Allowance and Other Remune. As Board Member	Remunerations as Commissions member of the Board	Remunerations as Board Member of Other Companies of the Group	Remunerations for High Management Functions - Executive Board Members	Totals
Felipe Benjumea Llorente	102	-	-	3,390	3,492
Aplidig, S.L. (1)	180	-	-	2,804	2,984
Miguel A. Jiménez-Velasco Mazarío (2)	-	-	-	113	113
José B. Terceiro Lomba	-	-	25	-	25
Carlos Sebastián Gascón	183	116	32	-	331
Daniel Villalba Vila	183	121	32	-	336
Mercedes Gracia Díez	121	55	-	-	176
Miguel Martín Fernández	110	55	-	-	165
Alicia Velarde Valiente	121	44	-	-	165
José Borrell Fontelles (3)	150	-	-	-	150
José Luis Aya Abaurre	121	44	-	-	165
José Joaquín Abaurre Llorente	121	55	-	-	176
Maria Teresa Benjumea Llorente	78	-	24	-	102
Javier Benjumea Llorente	78	-	-	-	78
Ignacio Solís Guardiola	86	-	-	-	86
Fernando Solís Martínez-Campos	86	-	-	-	86
Carlos Sundhein Losada	86	-	-	-	86
<b>Total</b>	<b>1,086</b>	<b>490</b>	<b>113</b>	<b>6,307</b>	<b>8,716</b>

Note (1): Represented by José B. Terceiro Lomba

Note (2): Up to 26.07.09

Note (3): From 27.07.09

In addition, the remuneration paid to the High Management staff of the Company as such during the 2009 exercise, (members of the high management who are not executive board members with indication of the total remuneration accrued for them during the exercise), amounted, in all the concepts, both fixed and variable, to € 6,883,000.

For more information on the Corporate Governance Report, the appendix of this Management Report contains the complete version which has been subjected to independent verification by our auditors who have issued opinion of reasonable assurance based on the ISAE 3000 standard "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC).

## 11.- Appointments and Remuneration Committee

### Introduction

The Appointments and Remuneration Committee was constituted by the Abengoa, S. A. Board of Directors on 24 February 2003, under the scope of Article 29 of the Rules of the Board of Directors, for the purposes of incorporating the recommendations, regarding said committee, of Law 44/2002 of Financial System Reform. The Board also approved the Internal Regime Regulation.

### Composition

The Composition of the committee is as follows:

Daniel Villalba Vila	- Chairman	
	- Non-executive independent advisor	
Aplicaciones Digitales, S.L. (representada por José B. Terceiro Lomba)	- Voting member	
	- Executive Advisor	
José Luis Aya Abaurre	- Voting member	
	- Non-executive Dominical	
Alicia Velarde Valiente	- Voting member	
	- Non-executive independent advisor	
Carlos Sebastián Gascón	- Voting member	
	- Non-executive independent advisor	
José Marcos Romero	- Secretary non-Advisor	

The Secretary was appointed to the Committee on 28 January 2004 by written agreement without Committee meeting; the president was appointed to the Committee on 19 October 2006.

As such, the Committee is made up of one executive director and four non-executive directors, with which it complies with the requirements of the Financial System Reform law. Additionally, as set out in Article 2 of the Internal Rules, it is required that the President of the Committee is a non-executive appointment.

### Duties and Functions

The duties and functions of the Appointments and Remuneration Committee are:

1. To inform the Board of Directors of appointments, re-elections, terminations and remunerations of the Board and its members, as well as upon general remuneration and incentives policy for the Board and senior management.

2. To inform the board of Directors, with advanced notice, all appointments or removals proposed by directors at the Shareholder Meeting, even in case of co-optation by the Board of Directors; annually verify that the strict conditions necessary for the appointment of a director are maintained (the character and nature of those assigned), preparation of information which will be included within the annual report. The Appointments and Remuneration Committee will oversee that, to fill vacancies, the selection process is not affected by implicit bias which may stand in the way of the appointment and that the potential candidates include women which fit the required profile.
3. To prepare an annual report on the activities of the Appointments and Remuneration Committee, which is to be included as part of the Management Report.

## Meeting and the calling of meetings

To comply with the aforementioned duties, the Appointments and Remuneration Committee will meet when necessary and, as a minimum requirement, once every half year. They will also meet at any time at the discretion of the chairman. The meeting will be valid only once all members that are present and agree that the meeting is in progress.

During 2009 the Committee had 4 occasions. Among the matters covered, those of note were proposed appointments to the Board of Directors and a member of the Appointments and Remuneration Committee, as well as the verification that all ongoing conditions were continued to be met regarding those directors which were already appointed.

## Quorum

The committee is considered to be quorate when the majority of its members are present. The delegation of attendance may only be granted to a non-executive member.

A decision or resolution requires the majority vote, in favour, of all those present or represented. In the event of a tie, the chairman shall cast the deciding vote.

Acting as secretary, the Company Director of Remuneration will also attend the meetings.

## Information presented to the Committee

- Amounts paid and trends in the amounts paid as remuneration to the Board of Directors and senior management of the Company.
- Proposed remuneration to members of the Board of Directors and senior management of the Company.
- Preparation of the information to be included within the annual accounts.
- Proposal to the board for cooptation of the possible director Mr. José Borrell Fontelles, following the resignation of Mr. Miguel Ángel Jiménez-Velasco Mazarío.
- Proposal to the Board, to submit to the next Shareholder Meeting, for the ratification of director Mr. José Borrell Fontelles, who was previously named for cooptation (27.07.09) by the board as an independent director.
- A verification report upon the achievement and fulfilment of the necessary ongoing requirements of the directors and of their nature and type.

- Provision of a report to the Board on the amounts paid as remuneration to the Board of Directors and senior management of the Company.
- Market reports prepared by independent experts on comparative remunerations.

## 12.- Further Information

To correctly measure and value the business and the results obtained by Abengoa, it is necessary to draw out the business trends from the consolidated figures.

In addition to the accounting information, as provided within the financial accounts and within this management report, Abengoa also publishes an "Annual Report" which sets out the key events of 2009. This report is available in Spanish, English and French. The Annual Report, which is published prior to the shareholder meeting at which the financial statements of 2009 will be approved, includes not only the consolidated accounts of Abengoa, as well as the strategic objectives of the business and the key events of the five Business Units into which Abengoa is structured as of 31 December 2009.

The annual report is available on the Company's website at [www.abengoa.com](http://www.abengoa.com).

The requirement to provide the market with information which is useful, truthful, complete, comparable and up-to-date would not be of such value to the user if the means of communicating such information were insufficient, as it would result in such information not being as effective, timely and useful. As such, the Aldama Report, the Financial System Reform Law and the Transparency law recommend and enforce, in the light of recent technologies, the use of a website by listed companies as an information tool (including historical, qualitative and quantitative data on the company) and a means of disseminating information (on a timely or real-time basis, making such information available to investors).

Abengoa has a website, which was recently renewed and updated, that features far-reaching and comprehensive content, including information and documentation made available to the public and, in particular to shareholders. This website offers periodic information (quarterly and half-yearly) as well as other relevant information and facts upon which it is mandatory that Abengoa report to the CNMV to comply with the rules of the stock exchange. Through this website, it is also possible to request a copy of the Annual Report.

## 13.- Information upon subsequent events which occurred after the financial year end

In its meeting dated 18<sup>th</sup> January 2010, the Board of Administration of the Company agreed to issue bonds convertible into Company's shares, and we completed the process of issuance to qualified investors and investment institutions, for the amount of € 250,000 thousands and to be matured within seven (7) years, on 3<sup>rd</sup> February 2010, accruing a coupon of 4.5% in annual basis, and payable every six months. The price of conversion was set at € 30.27 per share, representing a premium of 32.5% with regards to the reference price. The Company may decide to hand over shares, cash or a combination of both.

Following the close of the financial period no events have arising or occurred which could significantly influence the information as reflected in the consolidated financial statements as prepared by the Company with this date, or which stand out due to being particularly of note or importance.