ABENGOA

Independent Auditor's Report on the Consolidated Annual Accounts

Consolidated Annual Accounts

Directors' Report

Financial Year 2003

ABENGOA

Independent Auditor's Report on the Consolidated Annual Accounts

(Free translation from the original in Spanish)

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2. Directors' Report

Financial Year 2003

Consolidated Annual Accounts at December 31, 2003

(Free translation from the original in Spanish)

a) Consolidated Balance Sheets at December 31, 2003 and 2002

Consolidated Balance Sheets at December 31, 2003 and 2002

- Expressed in thousands of Euros -

Assets	12/31/2003	12/31/2002
B. Fixed Assets		
I. Start-up and Capital Increase Expenses	**14,009**	**18,864**
II. Intangible Fixed Assets		
Intangible fixed assets	155,017	139,591
Provisions and amortisation	(85,932)	(71,281)
	69,085	**68,310**
III. Tangible Fixed Assets		
Tangible fixed assets	518,033	523,369
Provisions and amortisation	(220,192)	(200,468)
	297,841	**322,901**
IV. Fixed Assets Project Finance		
Intangible fixed assets	14,906	20,557
Provisions and amortisation	(5,144)	(4,214)
Tangible fixed assets	457,574	349,676
Provisions and amortisation	(58,347)	(48,797)
Financial fixed assets	54,074	67,125
	463,063	**384,347**
V. Long-term Investments		
Investments in associated companies	23,952	22,000
Long-term investments	36,839	37,870
Other investments and loans	20,373	11,469
Provisions	(5,893)	(4,594)
	75,271	**66,745**
Total Fixed Assets	**919,269**	**861,167**
C. Goodwill	**319,375**	**310,981**
D. Deferred Charges	**15,468**	**21,493**
E. Current Assets		
II. Stocks	**202,125**	**225,973**
III. Accounts Receivables		
Trade receivables	255,694	306,320
Amounts owed by associated companies	43,044	33,728
Other receivables	180,817	169,524
Provisions	(4,267)	(2,712)
	475,288	**506,860**
IV. Short-term Investments		
Short-term investments	114,789	84,220
Loans to associated companies	151	1,221
Other investments	47,522	102,873
Provisions	(662)	(2,829)
	161,800	**185,485**
VI. Cash at Bank and in Hand	**264,471**	**191,702**
VII. Accruals and Prepayments	**5,317**	**7,648**
Total Current Assets	**1,109,001**	**1,117,668**
Total Assets	**2,363,113**	**2,311,309**

Consolidated Balance Sheets at December 31, 2003 and 2002

- Expressed in thousands of Euros -

Shareholders´ Equity and Liabilities		12/31/2003	12/31/2002
A. Shareholder´s Equity			
I.	**Share Capital**	**22,617**	**22,617**
II.	**Share Premium**	**110,009**	**110,009**
III.	**Revaluation Reserve**	**3,679**	**3,679**
IV.	**Other Reserves of Parent Company**		
	Distributable reserves	107,417	90,319
	Non-distributable reserves	4,523	4,523
		111,940	**94,842**
V.	**Reserves in Consolidated Companies**	**87,696**	**79,411**
VI.	**Reserves in Associated Companies**	**2,788**	**866**
VII.	**Cumulative Translation Adjustments**		
	In Subsidiaries Consolidated by line-by-line or Proportional Method	(49,542)	(38,457)
	In Companies consolidated by equity method	(5,454)	(5,710)
		(54,996)	**(44,167)**
VIII.	**Net Profit attributable to the Group**		
	Net income for the year	47,810	45,169
	Net Profit attributable to minority interests	(761)	(1,672)
		47,049	**43,497**
Total Shareholders´ Equity		**330,782**	**310,754**
B. Minority Interests		**47,093**	**40,813**
D. Deferred Income		**74,407**	**98,181**
E. Provisions for contingencies and expenses		**37,284**	**34,571**
G. Project Finance			
I.	**Long-term Project Finance**	**176,203**	**140,357**
II.	**Short-term Project Finance**	**93,480**	**129,555**
Total Project Finance		**269,683**	**269,912**
H. Long-term Liabilities			
II.	**Loans**	**545,754**	**549,975**
III.	**Other Liabilities**	**98,051**	**79,573**
Total Long-term Liabilities		**643,805**	**629,548**
I. Current Liabilities			
II.	**Loans**	**62,330**	**61,081**
III.	**Amounts owed to Associated Companies**	**4,872**	**10,536**
IV.	**Trade Payables**	**730,684**	**747,845**
V.	**Other Non-Trade Payables**	**154,848**	**103,753**
VI.	**Other Payables**	**2,437**	**2,018**
VII.	**Accruals**	**4,888**	**2,297**
Total Current Liabilities		**960,059**	**927,530**
Total Shareholder´s Equity and Liabilities		**2,363,113**	**2,311,309**

b) Consolidated Profit and Loss Accounts for the Years Ended December 31, 2003 and 2002

Consolidated Profit and Loss for the years ended December 31, 2003 and 2002

- Expressed in thousands of Euros -

Expenses

		12/31/2003	12/31/2002
	Materials consumed	1,019,745	1,025,104
	Decrease in stocks	3,424	0
	Personnel expenses	243,252	241,957
	R & D amortisation charges	13,487	7,636
	Other amortisation charges	53,376	47,704
	Change in trading provisions	3,424	1,142
	Other operating expenses	253,717	236,419
	Total Operating Expenses	**1,590,425**	**1,559,962**
I.	**Operating Profit**	**114,940**	**118,260**
	Financial expenses	61,965	66,780
	Loss on financial investments	12	11,935
	Change in financial investments provisions	123	301
	Negative exchange differences	14,545	20,444
	Total Financial Expenses	**76,645**	**99,460**
II.	**Net Financial Income**	**0**	**0**
	Participation in losses from companies under equity method	329	164
	Amortisation of goodwill	19,380	16,672
	Total Ordinary Expenses	**1,686,779**	**1,676,258**
III.	**Profits from Ordinary Activities**	**66,218**	**37,432**
	Loss on sale of fixed assets	915	4,316
	Decrease in provisions of tangible and intangible fixed assets	2,295	4,441
	Loss on sale of investments in consolidated companies	946	112
	Extraordinary expenses	31,494	71,179
	Total Extraordinary Expenses	**35,650**	**80,048**
IV.	**Net Extraordinary Income**	**0**	**0**
	Total Expenses	**1,722,429**	**1,756,306**
V.	**Net Profit before Tax**	**64,497**	**23,732**
	Corporate income tax	(16,687)	21,437
VI.	**Net Profit after Tax**	**47,810**	**45,169**
	Profit attributable to minority interests	(761)	(1,672)
VII.	**Profit attributable to the Group**	**47,049**	**43,497**

Consolidated Profit and Loss for the years ended December 31, 2003 and 2002

- Expressed in thousands of Euros -

	Income	12/31/2003	12/31/2002
	Net turnover	1,635,314	1,521,932
	Increase in stocks	0	41,119
	Work done for own fixed assets	31,912	47,663
	Other operating income	38,139	67,508
	Total Operating Income	**1,705,365**	**1,678,222**
	Dividends from undertakings	3,656	2,078
	Other financial income	14,892	16,928
	Profits on short-term financial investments	15,025	37
	Positive exchange differences	11,464	13,202
	Total Financial Income	**45,037**	**32,245**
II.	**Net Financial Losses**	**31,608**	**67,215**
	Participation in profits from companies under equity method	2,595	3,223
	Amortisation of negative goodwill	0	0
	Total Income from Ordinary Activities	**1,752,997**	**1,713,690**
	Income from sale of fixed assets	319	25,557
	Income from sale of investments in consolidated companies	5,328	177
	Income from sale of investments in companies under equity method	84	0
	Capital grants transferred to profits for the year	3,826	3,539
	Other extraordinary income	24,372	37,075
	Total Extraordinary Income	**33,929**	**66,348**
IV.	**Net Extraordinary Losses**	**1,721**	**13,700**
	Total Income	**1,786,926**	**1,780,038**

c) Notes to the Consolidated Annual Accounts at December 31, 2003

Notes to the Consolidated Annual Accounts at December 31, 2003

Note 1.- Activity.

Abengoa, S.A. is an industrial and technological Company that, at the end of the year 2003, held a group (hereinafter, Abengoa or the Group) formed by 208 companies, the parent Company itself, 181 subsidiaries and 26 associated companies. Moreover the different companies have investments in about 184 Temporary Consortiums. In addition, Group companies hold interests of less than 20% in other companies.

Abengoa, S.A. was set up as a Limited partnership on January 4, 1941 in Seville and was subsequently transformed into a corporation on March 20, 1952. It is registered in the Mercantile Register of Seville, initially on form 2,921, folio 107 of volume 47 of Corporations and currently, due to the recent adaptation and rewording of the company's articles of incorporation, is registered in volume 573, book 362 of Section 3 of Corporations, folio 94, form SE-1507, registration 296. The company's current registered office is located at Avenida de la Buhaira, nº 2 in Seville.

The company's corporate purpose is described in Article 3 of the company's articles of incorporation. Within the main activities mentioned in the corporate purpose, Abengoa as an applied energy and equipment Company, provides integral solutions in the Energy, Telecommunications, Transport, Water, Environment, Industry and Services sectors.

Abengoa is an industrial and technological Company that provides solutions for Sustainable Development, the Society of Information and Knowledge and Infrastructure Creation.

Abengoa operates through four Business Groups, the activities of which are as follows:

- Bioenergy:

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

- Environmental Services:

  Aluminium, salt slags and zinc waste recycling. Industrial Waste Management, Industrial and Hydrocarbon Cleaning. Environmental Engineering (engineering and construction for water treatment and waste management).

- Information Technologies:

  A specialist in Real Time IT solutions with high added value for specific industrial sectors, such as Energy, Environment, Traffic and Transport. Telvent is a leading provider to these industries in Spain, North America, Latin America and Asia.

  With over 40 years experience in industrial supervisory control and business process management systems, Telvent executes projects and supplies technical services in the field of mission-critical, real-time control and information management, which are complemented with the most comprehensive portfolio of outsourcing and consulting services, for managing IT and technological infrastructure for its extensive international client base.

- Engineering and Industrial Construction:

  Engineering, construction and maintenance of electrical, mechanical and instrumentation infrastructures for the energy, industrial, transport and service sectors. Development, construction and operation of industrial plants, conventional power plants (cogeneration and combined cycle) and renewable energy facilities (bioethanol, biomass, wind, solar, geothermal), as well as those based on hydrogen and fuel cells. Turnkey telecommunications networks and projects. Merchandising of products related to aforementioned activities as well as manufacturing of auxiliary elements for energy and telecommunications.

Note 2.- Subsidiary Companies.

Information concerning the 181 Consolidated Subsidiary companies by line-by line method is given in Appendix I to these Notes.

Note 3.- Associated Companies.

Information on the 26 Associated Companies consolidated by the equity method is given in Appendix II to these Notes.

Note 4.- Temporary Consortiums.

4.1. Information on the 130 Temporary Consortiums consolidated by the Proportional Consolidation Method is given in Appendix III to these Notes.

4.2. Under the provisions of articles 11 and 14 of the Rules for the Formulation of Consolidated Annual Accounts, 54 Temporary Consortiums have not been included in the consolidation process. The net book value of the investments in the non-consolidated Temporary Consortiums is € 352 thousands, and they are accounted for as “Short-Term Investment” on the consolidated balance sheet. The net turnover in proportion to the interest held is 0.44% of the net consolidated turnover. The net aggregated profit in proportion to the interest held is € (111) thousands.

Note 5.- Abengoa, S.A. Profit Distribution.

The proposal for the distribution of the net profit of Abengoa, S.A. for the year 2003 to be submitted for the approval of the General Shareholders’ Meeting is as follows:

Basis of distribution	**€ thousands Amount**
Profit and Loss	**13,340**

Application to	**Amount**
Distributable reserves	674
Dividends	12,666
Total	**13,340**

Note 6.- Bases of Presentation of the Consolidated Annual Accounts.

6.1. The Consolidated Annual Accounts are based on the statutory accounting records of Abengoa, S.A. and its group of companies and are prepared in accordance with generally accepted accounting principles in Spain established in the current mercantile legislation, to present fairly the equity, the financial position and the results of the Group.

6.2. The figures contained in the documents that comprise the Consolidated Annual Accounts (balance sheet, profit and loss account and these notes) are expressed in thousands of Euros.

Unless otherwise stated, the percentage holding in the capital of entities includes both the direct interest and the indirect interest corresponding to group companies with direct holdings, not the total interest which would be held by the parent Company.

6.3. When necessary, the appropriate reclassifications have been made on the 2002 balance sheet and profit and loss account, in order to facilitate the comparison with the year 2003 figures. Applying the true and fair view criterion, interests acquired as a vehicle for specific business operations are valued from their acquisition date until the date of sale using accounting criteria similar to those used for other investments, with the difference that the amortization of the implicit goodwill is deferred for accounting purposes and that the associated profit/loss are considered as an operating results, to the extent that there are no reasons that make an earlier reduction of its book value advisable, until the vehicle company starts its regular economic operations, applying a strict criterion of correlation of income and expenses (integral treatment).

6.4. Appendix I lists the 27 Companies / Entities that are fully consolidated by the line-by-line method for the first time in this year. (See Note 6.6 and footnotes to Appendix I).

6.5. On January 31, 2003, Telvent GIT, S.A., a subsidiary of Abengoa and holding of the Information Technology Business Group, acquired control of the Network Management Solution Division of Metso Corporation, by means of purchasing 100% of its subsidiaries in Canada and the United States. The two companies named today Telvent Canada and Telvent USA, employ more than 400 people in their offices in Calgary, Houston and Baltimore.

This acquisition will provide Telvent with an internationally leading position in the Information Control Systems market for the gasoline, gas and electricity energy sectors and the water sector. The Division acquired has a select portfolio of technological applications for the aforementioned market.

Telvent and Metso have been collaborating technologically for the last 9 years through the exclusive integrator agreement for Spain, which was previously established through Telvent E y MA, a subsidiary of Telvent.

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

6.6. The inclusion of Telvent USA and Canada in the consolidated profit and loss account for the year 2003 contributed € 42,987 thousands to the sales figure in relation to the preceding year. In the rest of the profit and loss account captions, no significant differences can be seen, once the amortisation of the Goodwill has been taken into account. The consolidation of the rest of the companies mentioned in Note 6.4 did not have any significant effect on the global consolidated figures at December 2003.

6.7. Appendix II shows the 3 Companies / Entities included this year in the consolidation that are consolidated by the equity method.

6.8. Likewise, 71 Temporary Consortiums were consolidated for the first time in the year, as they started their activities in this year and/or commenced significant operations. Their contribution to the consolidated turnover is € 37,353 thousands.

6.9. Certain Companies / Entities have been excluded from the consolidation process (line-by-line method):

Corporate Name	% Shareholding	Reason
Abensurasa AIE	100,0%	Disposal of the company
Adenur, S.A.	100,0%	Disposal of the company
Aguas de Baena AIE	100,0%	Disposal of the company
Altamira Medioambiental, S.L.	100,0%	Disposal of the company
Aureca,Aceites usados y Rec.Energ.Madrid S.L.	100,0%	Disposal of the company
Aureca,Aceites usados y Rec.Energ.Princip.Austrias S.A	100,0%	Disposal of the company
Aurecan,Aceites usados y Rec.Energ.Andalucía S.L.	100,0%	Disposal of the company
Auremur,Aceites usados y Rec.Energ.Murcia S.L.	100,0%	Disposal of the company
Aureval S.L.	100,0%	Disposal of the company
AVR S.L.	99,9%	Absorption by Befesa Gestión Residuos Industriales,S.L
Befesa Tratamientos Especiales,S.L. (antigua unquinaval)	100,0%	Absorption by Befesa Tratamientos y Limpiezas Industriales, S.L.
Berako Equipos Especiales S.L.	100,0%	Absorption by Befesa Tratamientos y Limpiezas Industriales, S.L.
Berako S.A.	100,0%	Absorption by Befesa Tratamientos y Limpiezas Industriales, S.L.
BGRI, S.A.	100,0%	Absorption by Befesa Gestión Residuos Industriales,S.L
Bioeléctrica de la Vega S.A.	100,0%	Dissolution of the company
Biomasa de Cantillana, S.A.	100,0%	Dissolution of the company
Cartamb S.L.	99,8%	Absorption by Befesa Gestión Residuos Industriales,S.L
Cartera Ambiental, S.A.	80,0%	Absorption by Befesa Gestión Residuos Industriales,S.L
Comercial Sear S.L.	100,0%	Absorption by Befesa Gestión Residuos Industriales,S.L
Complejo Medioambietal de Andalucía, S.A.	100,0%	Absorption by Befesa Gestión Residuos Industriales,S.L
Dinunzio	100,0%	Disposal of the company
Eléctrica Biovega S.A.	99,9%	Dissolution of the company
Emp. Mixta de Serv. Munic. de El Ejido,S.A. (Elsur)	70,0%	Disposal of the company
Energía Renovables Leonesas, S.A. (Erlesa)	50,0%	Dissolution of the company
Flores e Hijos S.A.	100,0%	Disposal of the company
Hidro Clean, S.A.	100,0%	Absorption by Befesa Tratamientos y Limpiezas Industriales, S.L.
Hidro Limpo S.A.	100,0%	Absorption by Befesa Tratamientos y Limpiezas Industriales, S.L.
Hidroalfa S.A.	100,0%	Dissolution of the company
Hidrobeta S.A.	100,0%	Dissolution of the company
Hidrogamma S.A.	100,0%	Dissolution of the company
Inarco S.L.	100,0%	Absorption by Befesa Gestión Residuos Industriales,S.L
Laitek Luz y Tecnología S.A.	70,0%	Absorption by Befesa Tratamientos y Limpiezas Industriales, S.L.
Nuema, Nuevas Energías Madrid S.L.	100,0%	Absorption by Befesa Gestión Residuos Industriales,S.L
Prisma, Promoc. Ind y Med. S.L.	100,0%	Absorption by Befesa Gestión Residuos Industriales,S.L
Procesos y Gestión Ambiental, S.A.	80,0%	Absorption by Befesa Gestión Residuos Industriales,S.L
Reromas, S.L.	90,0%	Disposal of the company
Retraoil S.L.	100,0%	Disposal of the company
Subestaciones y Líneas en el Bajío-Oriental, S.A. de C.V.	50,0%	Change of consolidation method
Suministr. Petrolíferos del Mediterráneo S.L.	99,9%	Absorption by Befesa Gestión Residuos Industriales,S.L
Tec - 88 S.L.	100,0%	Disposal of the company
Tratamiento de Aceites y Marpoles S.A.	50,0%	Disposal of the company
Tratamientos y Pinturas Especiales, S.L.(Trespi)	100,0%	Absorption by Befesa Gestión Residuos Industriales,S.L
Tría, Equipo de Gestión Ambiental S.L.	80,0%	Absorption by Befesa Gestión Residuos Industriales,S.L
Urbaoil	100,0%	Disposal of the company
Vicente Fresno Aceites S.A.	95,0%	Disposal of the company

Companies excluded from the consolidation process due to being absorbed through a merger process, are still consolidated in these Annual Accounts through the new companies (Befesa Tratamientos y Limpiezas Industriales, S.L. and Befesa Gestión Residuos Industriales, S.L.)

Sales and results contribution to the consolidated figures coming from companies excluded from the consolidation process due to the disposal of the company, has been € 26,517 thousands and € 1,320 thousands, respectively. Contribution from companies excluded by any other reason has been practically non existent.

6.10. Certain Companies / Entities have been excluded from the consolidation process (equity method):

Corporate Name	**% Shareholding**	**Reason**
Digitek-Micrologic-Sainco Tráfico, AIE	50,0%	Dissolution of the company
Ecolube	30,0%	Disposal of the company
Lineas Baja California Sur S.A. De C.V.	50,0%	Change of consolidation method
Obimet	26,0%	Disposal of the company
Sdem Inabensa, S.A.	50,0%	Change of consolidation method
Sociedade Combustiveis Bioquimicos, S.A.	100,0%	Change of consolidation method
Subestaciones 611 BC, S.A. de C.V.	100,0%	Change of consolidation method
Subestaciones 615 S.A. de C.V.	50,0%	Change of consolidation method

With no significant effect on the results in respect of the consolidated figures for both 2002 and 2003.

6.11. Likewise, 27 Temporary Consortiums were eliminated from the consolidation in the year due to the finalization of their operations or the fact that such operations were not significant, neither individually nor globally. Their net turnover, in proportion to the interest held, was € 10,767 thousands in 2003.

Note 7.- Accounting Policies.

The most significant accounting policies applied in the preparation of the consolidated annual accounts are the following:

a) Goodwill on Consolidation.

Goodwill represents the positive difference between the net book value of the parent company's investment in subsidiary, associated and multi-group companies and its share in the net equity at the date of acquisition.

The investments made in the companies that gave rise to the Goodwill on Consolidation are long-term investments, operations being expected to continue for between 12 and 20 years. Consequently, under current applicable legislation, in order to apply the accounting principle of the correlation of income and expenses correctly, it is considered appropriate to amortize the Goodwill over a term of twenty years or, if applicable, over the estimated term of the project, if shorter.

b) Consolidation Difference.

If applicable, it would include the difference where it arises; negative consolidation difference represents the excess of the parent company's share in the net equity of subsidiary companies and multi-group companies at the date of acquisition in respect of the net book value of its investment in such subsidiary companies and multi-group companies.

Consolidated difference is only credited to the profit and loss account in the cases mentioned in the Spanish Consolidated Annual Accounting Standards.

c) Intercompany transactions.

Income and expenses relating to transactions with related parties are eliminated until they materialise with third parties outside de Group

Accounts receivable and payable between related parties, which were included in the consolidation, are eliminated in the consolidation process.

d) Consistency of accounting policies applied.

Accounting policies consistent with those applied by the parent Company have been applied in all the companies included in these Consolidated Annual Accounts.

e) Translation of foreign companies' annual accounts.

For the purpose of preparing the accompanying consolidated financial statements, the investees' financial statements denominated in foreign currencies were translated to local currency as follows:

1) All goods, rights and liabilities are translated into local currency using the foreign exchange rate at the end of the financial year.

2) The profit and loss accounts of foreign companies are translated into local currency using the annual average exchange rate calculated as the aritmethic average of all month-end foreign exchange rates.

3) The difference between the amount of the foreign company's shareholders' equity (including the profit and loss account), which is calculated in accordance with the preceding paragraph 2) translated at the historic exchange rate, and the net financial position calculated according to translation of goods, rights and liabilities described in paragraph 1) above, is presented, with negative or positive sign, in the shareholders' equity on the consolidated balance sheet, under the "Translation Differences" caption.

The translation of the results of companies consolidated by the Equity Method was carried out in accordance with the annual average foreign exchange rate, calculated in accordance with paragraph 2) above.

For companies located in countries with high inflation, translation is made at the exchange rate at the end of the financial year, once the financial statements have been adjusted in accordance with accounting rules for inflation. This practice has had no significant effect on the Annual Accounts.

f) Start-up and capital increase expenses.

Start-up and capital increase expenses are valued at the cost of acquisition or production of the goods or services, which give rise to them. They are systematically amortized over a period of five years.

g) Intangible Fixed Assets.

The items, which comprise Intangible Fixed Assets, are valued at their acquisition cost or cost of production. These assets are amortized on a straight-line basis following their actual estimated useful lives.

There are Research & Development expenses that are, in general, charged to the profit and loss account in the year in which they are incurred and there is an individual breakdown of each specific R&D project. There are likewise certain projects that are amortized over 5 years as from the date they come into operation. Abengoa companies took part in research and development programs carried out by other entities in which a minority interest is held. The amounts associated to their contributions to these programs are capitalized and amortized over a five-year period in the cases where the conditions established for this purpose in the General Accounting Plan are met.

Administrative concessions are valued at acquisition cost and are charged systematically to the profit and loss account over the period of the concession.

Patent rights are valued at acquisition cost and their amortization is calculated applying the straight-line method over the period for which its exclusive use is recognized.

Transfer rights are only accounted for when produced through an acquisition, in return for a consideration.

Data processing applications include the amounts paid for the access to property or rights for the use of programmes as well as the costs of those designed by the Company itself, when it is foreseen that their utilisation will be spread over a number of years. Maintenance costs of these applications are charged directly to the profit and loss account of the year in which they are incurred. Amortization is calculated on a straight-line basis over a period of five years from the moment the use of the respective data processing application begins.

Assets acquired under finance leases are accounted for as Intangible Fixed Assets when, from the economic conditions of their contracts, they can be considered to be acquisitions. Amortization is calculated as described in paragraph h) below.

h) Tangible Fixed Assets.

Items included in Tangible Fixed Assets are valued at their acquisition or production cost.

The value of the assets includes the effect of the legal revaluations approved by legislation of the country where each Company is located, except for Argentina in the present year, pursuant to the technical pronouncement issued by the Spanish Accounting and Account Auditing Institute (ICAC) during the year 2002. Renewal, enlargement or improvement costs are included in the assets as a higher value of the item only when it involves an increase in their capacity, productivity or useful life.

Amounts relating to the works carried out by the Company itself are valued at their cost of production and are credited to the profit and loss account. Interest expenses and exchange differences related to the external financing of investments in Tangible Fixed Assets are only accounted for as an increase in the asset value when they arise before the asset is put into operation, provided that the total value of the asset thus calculated does not exceed the market value.

The depreciation of Tangible Fixed Assets is calculated systematically by applying the straight-line method over the useful life of the assets and considering the effective depreciation of the asset due to use. If applicable, any value adjustments that arise are made.

The annual rates used to calculate the depreciation of Tangible Fixed Assets are as follows:

Items	**% Rate**
Buildings	2% - 3%
Installations	4% - 12% - 20%
Machinery	12%
Tools	15% - 30%
Furniture	10% - 15%
Construction equipment and supplies	30%
Data processing equipment	25%
Vehicles	8% - 20%

i) Financial investments.

Long and short term security investments, with fixed or variable interest, are valued at their cost of acquisition at the time of subscription or purchase, plus revaluations made in the effect of the legal revaluation. The necessary eliminations have been made in the consolidation process in accordance with the consolidation method followed.

For values listed on a stock exchange, when the year-end market value is lower than the acquisition cost, the provisions necessary to reflect the fall in value are made and charged to the profit and loss account.

Unlisted securities are valued at acquisition cost less, when applicable, any provisions deemed necessary to reflect the fall in value suffered, which are in no case less than the losses incurred on the percentage shareholding. In order to calculate the provisions required, the underlying book value of the securities, adjusted by the amount of any tacit capital gains which existed upon acquisition and still exist at the time of the subsequent valuation, is taken as the reference value.

j) Non-trade receivables.

Long and short-term non-trade receivables are recorded at the amount actually outstanding. The difference with the nominal value is considered as interest income accrued in the period, following financial criteria.

Bad debts are provided for when considered necessary in the specific circumstances.

k) Deferred charges.

Deferred charges relate basically to interest on finance leases and other deferred expenses. The net book value of the items included under this caption is: leasing € 3,126 thousands and Other Deferred Expenses € 12,342 thousands, comprising basically debt formalisation expenses, the treatment of metal and grain futures market transactions and other items.

l) <u>Stocks</u>.

Raw materials and other supplies are valued at acquisition cost (first in, first out) plus all additional expenses incurred until the goods reach the warehouse.

Auxiliary products, consumables and replacements are valued at the latest invoice price or market value, if lower. The valuation of these products at the latest invoice price does not differ significantly from the valuation that would have been obtained if the first in, first out criterion had been applied.

Finished goods are valued at the lower of market value or average production cost, calculating the latter as the specific cost of the supplies and services plus the applicable part of the direct and indirect labour and general manufacturing costs.

Work in progress value includes costs directly incurred and the corresponding part of indirect costs incurred during the production period.

Provisions for depreciation and obsolescence are established when necessary.

Several Group companies have carried out transactions in the metal futures market (basically zinc and primary and secondary aluminium) to totally or partially hedge operations for the sale of physical tonnes with content of said metals.

The price differences produced by the continuous variations in the futures traded on official markets are treated in accordance with the following criteria:

- Both positive and negative differences due to the changes of prices in genuine future transactions to hedge risks are booked by adjusting the value of the main transaction hedged.

- Both positive and negative differences on transactions that are not defined as hedges are taken directly to the profit and loss account over the life of the transaction, theoretically closing the positions on the transactions open in accordance with market prices.

The result of the futures transactions for the year ended December 31, 2003 was a loss of € 1,169 thousands on transactions closed in the year and a loss of € 1,458 thousands on transactions open at the year end.

m) <u>Shares of the parent Company</u>.

The parent company does not hold any of its own shares neither during the year nor at the year-end.

n) Capital grants.

Capital grants are valued at the amount awarded and are recorded when they are considered to adequately meet the conditions established by the body granting them. They are released to the profit and loss account on a systematic basis in line with the estimated useful life of the assets to which they relate.

Regarding to the allocation to the profit and loss account of capital grants related to fixed assets, as in previous years, the company applies criteria, similar to international accounting standards, considered them as less value of fixed assets cost.

The figure for the current year amounts to € 2,495 thousands.

ñ) Provisions for liabilities and charges.

This caption includes provisions for contingencies and expenses relating to probable and/or certain liability. Amounts are assigned to the provision when, applying the most conservative valuation criteria, circumstances thus advise.

o) Provisions for pensions, similar obligations and other.

Certain group companies hold a series of obligations under incentive programs with management and employees (1.48% of the share capital of Befesa Medio Ambiente, S.A. and 4.4% of Telvent GIT, S.A.). These obligations are not significant and if applicable an appropriate provision has been made.

p) Long and short-term payables.

Long and short-term non-trade payables are recorded at their reimbursement value. The difference between this amount and the amount actually paid is accounted for as interest expense during the period in which it is accrued, following financial criteria.

Credit facilities are shown in the accounts at the amount drawn of the total credit facility available.

Amounts relating to trade bills discounted and factoring with recourse pending maturity at the year-end are recorded as short-term receivables and loans from financial entities. Factoring without recourse is treated as collection; the related financial expense was approximately € 16,083 thousands in the year.

See the treatment of financing without recourse in process in Note 13.6.

q) Corporate income tax.

The charge for corporate income tax is recorded in the profit and loss account for the year and is calculated taking into account the timing differences associated with the different treatments for accounting and tax purposes of certain operations and the tax allowances to which the companies are entitled (See Note 24.5).

r) <u>Foreign currency transactions</u>.

The following procedures are applied in accounting for foreign currency operations:

1. Intangible and Tangible Fixed Assets:

   These balances are translated into local currency at the exchange rate prevailing on the date of the operation.

2. Stocks:

   The acquisition price or production cost is translated into local currency at the exchange rate prevailing at the date of the related transaction.

3. Financial investments:

   Financial investments are translated into local currency at the exchange rate prevailing at the date the investment is acquired.

   At the year-end they are valued at the exchange rate prevailing at this date and, if necessary, a provision is established.

4. Cash and banks:

   Foreign currencies are translated at the exchange rate prevailing on the transaction date. At the year-end, they are valued at the exchange rates prevailing at this date. Exchange differences are charged directly to the profit and loss account.

5. Accounts payable and receivable:

   Accounts payable and receivable in foreign currency are translated into local currency at the exchange rate prevailing on the date of the related operation. At the year-end they are translated at the exchange rate prevailing at this date.

   Unrealized exchange gains, where they occur, are not recorded as income for the year but are included in the balance sheet as deferred income. Unrealized exchange losses are charged directly to the profit and loss account.

Exchange rate hedging transactions (exchange rate insurance) are carried out in the circumstances in which, applying the conservative valuation principle, they are considered appropriate in order to mitigate the risks on operations abroad, hedging specific risks.

s) Accounting for income and expenses.

Sales of goods and income from services provided are recorded net of the applicable taxes and all discounts except those for prompt payment, which are considered as financial expenses whether or not they are included in the invoice.

Amounts relating to taxes in respect of purchases of merchandise and other goods acquired for resale, excluding Value Added Tax (VAT) and direct transport costs, are considered as part of the purchase price or cost of the services acquired.

Discounts subsequent to issuing or receiving invoices due to defects in quality, non-compliance with delivery dates or other similar reasons, as well as volume discounts on sales are all recorded separately from the sale or purchase amount of the goods and from the income or expenses for services, respectively.

The income from contract work is recognised upon completion and delivery. However, for long-term contracts (more than one year), income is recognised following the percentage of completion method, which includes billings on account and recognising income based on estimated margins taking into account the contingencies and risks estimated until the completion of the contract and delivery to the customer.

Through several group companies, certain transactions (to which Notes 13.5 and 13.6 refer) have materialized, generally in infrastructure construction, in which the company is awarded a construction contract (either in association with other companies or on an exclusive basis) collection of which takes place by means of a long-term royalty (20 to 30 years) that includes financial compensation for deferred payment, future services associated to the transaction and maintenance of the systems. This royalty is calculated on a basic cost updated each year in accordance with the country's annual Consumer Price Index and, if applicable, variations in the reference currency.

In this type of complex transactions:

a) The profit assigned to the first phase of construction is recognized in accordance with the percentage of completion method, applying values that in no case exceed the sums financed by the associated project finance agreements. The total construction costs are booked as fixed assets by the company holding the exploitation concession.

b) The payment deferral and maintenance are recognized in accordance with the materialization thereof throughout the project. The margin is recognized at a constant rate of return throughout the life of the project and is updated annually on the basis of the following premises:

- Income from royalties: this is calculated in accordance with the updated royalty projected over the whole life of the project, without considering any systematic variation thereon in the future (Consumer Price Index, currency fluctuations).

- Total costs: these include the totality of the costs estimated for the whole project (including construction, financial, operating and maintenance costs), without considering any systematic variation thereon in the future.

t) Electricity activities

Law 54/1997 of November 27 and the subsequent implementing legislation regulates the different activities related to the supply of electricity. This mainly consists of the production or generation, transport, distribution, commercialization and intra-Community or international exchange of electricity, together with the economic and technical management of the electricity system. This field of activity also includes the self-producers and producers under the special regime regulated in this Law.

Royal Decree 437/1998 of March 20 approved the General Accounting rules for the electricity industry companies and, therefore, for those included in the groups mentioned in the preceding paragraph. These rules establishes certain obligations to be disclosed in their annual accounts. These obligations are applicable for the consolidated annual accounts of groups that include one or more electricity activities.

Certain consolidated companies carry on operations that may be considered to fall within those considered as electricity activities as described above.

Appendix IV gives details of these companies and their activities.

Note 13 “Fixed Assets in Projects” gives details of the investments made in each one of these activities.

Note 26 “Income and Expenses” gives details of the net turnover of each activity.

u) Assets for environmental use.

The equipment, installations and systems applied to eliminate, reduce or control any environmental impacts are booked applying criteria analogous to those used for fixed assets of a similar nature.

Specific provisions are made for environmental contingencies when, applying a highly conservative principle, circumstances make this recommendable.

Note 8.- Goodwill on Consolidation.

8.1. Details of Goodwill on Consolidation by subsidiary at December 31, 2003, together with the accumulated amortization, are shown below:

Goodwill on Consolidation	Amount	Accumulated Amortization	Net
Line-by-line / proportional method consolidated companies			
Abengoa Bioenergy Corp.	55,107	(5,096)	50,011
Abengoa Chile Consolidado	10,195	(2,253)	7,942
Befesa Aluminio Valladolid, S.A.	1,100	(678)	422
Befesa Aluminios Bilbao, S.L.	27,099	(8,869)	18,230
Befesa Argentina, S.A.	685	(171)	514
Befesa Gestión de PCB, S.A	203	(23)	180
Befesa Gestión de Residuos Industriales, S.L. (*)	36,410	(4,245)	32,165
Befesa Medio Ambiente, S.A.	197,150	(34,780)	162,370
Befesa Tratamientos. y Limpiezas Industriales, S.L. (**)	15,987	(1,155)	14,832
Befesa Zinc Amorebieta, S.A.	3,372	(709)	2,663
Befesa Zinc Aser, S.A.	13,132	(8,864)	4,268
Befesa Zinc Sondika, S.A.	1,067	(213)	854
Enernova Ayamonte, S.A.	361	(126)	235
Sociedad Inversora en Energía y Medioambiente, S.A.	2,146	(756)	1,390
Telvent Canadá, Ltd.	17,856	(818)	17,038
Telvent USA, Inc.	1,865	(86)	1,779
	383,735	**(68,842)**	**314,893**
Equity method consolidated companies			
Deydesa 2000, S.L.	5,469	(1,124)	4,345
Intersplav	344	(207)	137
	5,813	**(1,331)**	**4,482**
Total	**389,548**	**(70,173)**	**319,375**

(*) Relates to Goodwill coming from certain companies (Cartera Ambiental, S.A., Comercial Sear, S.L., Complejo Medioambiental de Andalucía, S.A. and Trespi) absorbed through a merger process by Trademed, company that also showed Goodwill, previously to that merger process.

(**) Relates to Goodwill coming from certain companies (Laitek Luz y Tecnología, S.A. and Unión Química y Naval, S.L.) absorbed through a merger process by Ecomat, S.A., company that also showed Goodwill, previously to that merger process.

8.2. The variations in the net balance of this caption in the year 2003 were as follows:

Goodwill on Consolidation	Amount
Balance at 31.12.02	310,981
Additions for Purchase: Telvent USA, Inc. and Telvent Canadá, Ltd. (See Note 6.5)	19,721
Other additions for purchases	12,550
Decreases	(4,497)
Allocation to profit and loss account (amortisation)	(19,380)
Balance at 31.12.03	**319,375**

Other additions for purchases includes new acquisitions of companies and additional acquisitions in companies consolidated in the preceding year.

Note 9.- Investments in Associated Companies.

The detail of investments in associated companies consolidated by the Equity Method as of December 31, 2002 and 2003 and of the variation therein is as follows:

Companies	Balance at 12.31.02	Allocation profit/(loss) for year	Other Movements	Balance at 12.31.03
Cogeneración del Sur, S.A.	86	(146)	130	70
Cogeneración Motril, S.A.	1,984	650	(128)	2,506
Deydesa 2000, S.L.	3,152	431	-	3,583
Ecología Canaria, S.A. (Ecansa)	451	279	(30)	700
Ecolube	463	-	(463)	-
Expansion Transmissao de Energía Electrica Ltda.	5,558	990	103	6,651
Expansion Transmissao Itumbiara Marimbodo, Ltda.	-	-	139	139
Intersplav (*)	4,178	(183)	(755)	3,240
Tenedora de Acciones de Red Eléctrica del Sur, S.A.	4,829	245	805	5,879
Other companies (**)	1,299	-	(115)	1,184
Total	**22,000**	**2,266**	**(314)**	**23,952**

(*) The holding in the Ukrainian company Intersplav is 50.84% of the share capital in respect of the corporate rights attributable thereto, while it is established at 40% in respect of the entitlement to dividends and to receive the pertinent assets in the event of liquidation. It is consolidated by the equity method, since it is resident in a country with high inflation.

(**) Relates to insignificant companies, generally dormant, that joined the consolidated group in 2002.

The most significant movement during the year corresponds to Expansion Transmissao de Energía Electrica, Ltda.

Holdings in companies resident outside Spanish territory total € 10,030 thousands.

Note 10.- Start-Up and Capital Increase Expenses.

The variations in start-up and capital increase expenses for the year were as follows:

	Start-up Expenses
Balance at December 31, 2002	18,864
Increases	1,799
Decreases	(672)
Allocation to profit and loss account (amortisation/depreciation of fixed assets)	(5,982)
Balance at December 31, 2003	**14,009**

The increases are mainly due to recently-incorporated companies, some of which are in the phase prior to commencement of activities, in relation to capital increases in companies and start-up expenses for new activities, mainly abroad.

Note 11.- Intangible Fixed Assets.

11.1. The detail of the Intangible Fixed Assets as of December 31, 2002 and 2003 and of the variation therein is as follows:

	Rights under Leasing Contracts	Research and Development Expenses	Concessions and Patents	Other Intangible Fixed Assets	Total
Cost					
Balance at December 31, 2002	25,180	91,925	19,788	2,698	139,591
Increases	4,204	15,565	1,015	1,949	22,733
Decreases	(671)	(1,429)	(2)	(158)	(2,260)
Other Movements	(1,443)	(728)	(3,237)	361	(5,047)
Balance at December 31, 2003	**27,270**	**105,333**	**17,564**	**4,850**	**155,017**
Accumulated Amortisation					
Balance at December 31, 2002	(1,522)	(60,995)	(6,922)	(1,842)	(71,281)
Additions (provision)	(1,681)	(9,658)	(1,885)	(1,445)	(14,669)
Decreases	148	-	-	44	192
Other Movements	397	(366)	(423)	218	(174)
Balance at December 31, 2003	**(2,658)**	**(71,019)**	**(9,230)**	**(3,025)**	**(85,932)**
Net Fixed Assets					
Balance at December 31, 2002	**23,658**	**30,930**	**12,866**	**856**	**68,310**
Balance at December 31, 2003	**24,612**	**34,314**	**8,334**	**1,825**	**69,085**

The amounts relating to "Other Movements" reflect, in general, companies joining and leaving the consolidated group, together with adjustments between the final balances of individual companies for the prior year and the balances contributed for consolidation. The net effect is not significant.

11.2 The caption "Rights under Leasing Contracts" includes assets acquired through finance lease contracts and have been accounted for in accordance with the transitory provisions of Royal Decree 1643/1990 dated December 20.

Original Cost	Instalments Paid	Instalments Paid in the Year	Instalments Pending	Value of Purchase Option
27,270	6,138	6,072	21,786	266

The amount relating to companies resident outside Spanish territory totals € 1,187 thousands.

11.3. The breakdown of Research and Development by Business Group is as follows:

Business Groups	Total Cost	Accumulated Depreciation	Net at 12.31.03	Net at 12.31.02
Bioenergy	15,069	(7,573)	7,496	8,520
Environmental Services	3,270	(2,086)	1,184	1,786
Information Technology	58,793	(42,038)	16,755	13,358
Engineering and Industrial Construction	28,201	(19,322)	8,879	7,266
Total	**105,333**	**(71,019)**	**34,314**	**30,930**

11.4. The caption “Concessions and Patents” includes, among other items, the following assets, which will revert to their previous owner in accordance with the respective concessions.

Description	Act. (*)	Amount	Accumulated Depreciation	Net	Concession Year	Year of Reversion	Institution
Surface rights	(3)	1,994	(1,462)	532	1992	2007	Private Sector
Operating concessions	(3)	721	(721)	-	1997	2001	Private Sector
Administrative concessions	(5)	1,226	(305)	921	1993	2033	Agesa
Surface rights	(5)	179	(43)	136	1985	2055	Private Sector
Patents	(3);(4)	306	(306)	-	1986	1996	INPI Brasil
Research Concession	(4)	4,813	(4,449)	364	1993	2043	Ministry of Economy
Research Concession	(4)	228	(228)	-	1994	2008	Ministry of Economy
Research Concession	(4)	2,104	(326)	1,778	1994	2044	Ministry of Economy
Alvega concessions	(2)	3,311	(441)	2,870	2000	2010	Private Sector
Right of way	(2)	624	(199)	425	1985	2084	Sefanitro
Surface rights	(4)	1,672	(639)	1,033	2000	2008	Furfural Español
Contribution and use of Technology	(2)	300	(58)	242	2000	2010	Global Plasma
Other non-reversible rights		87	(53)	34	Other	Other	Other
Total		**17,564**	**(9,230)**	**8,334**			

(*) Details of Administrative Concessions and Industrial property by type of activity on page 4 of Appendix I.

There is no obligation to create a reversion fund.

Details of the amounts relating to companies located outside Spanish territory are as follows:

Cost	306
Accumulated Depreciation	(306)
Net	**-**

Note 12.- Tangible Fixed Assets.

12.1. The detail of Tangible Fixed Assets as of December 31, 2002 and 2003 and of the variation therein is as follows:

	Land and Buildings	Technical installations and machinery	Payments on Accounts and Assets in the Course of Construction	Other Tangible Fixed Assets	Total
Cost					
Balance at December 31, 2002	79,142	368,840	12,771	62,616	523,369
Increases	7,627	10,805	7,533	13,878	39,843
Decreases	(5,476)	(26,265)	(12,702)	(3,384)	(47,827)
Other Movements	5,214	(8,641)	(521)	6,596	2,648
Balance at December 31, 2003	**86,507**	**344,739**	**7,081**	**79,706**	**518,033**
Accumulated Amortisation					
Balance at December 31, 2002	(13,906)	(151,033)	-	(35,529)	(200,468)
Increases	(3,733)	(17,316)	-	(4,639)	(25,688)
Decreases	1,628	8,722	-	3,825	14,175
Other Movements	(1,510)	(1,898)	-	(4,803)	(8,211)
Balance at December 31, 2003	**(17,521)**	**(161,525)**	**-**	**(41,146)**	**(220,192)**
Net Fixed Assets					
Balance at December 31, 2002	**65,236**	**217,807**	**12,771**	**27,087**	**322,901**
Balance at December 31, 2003	**68,986**	**183,214**	**7,081**	**38,560**	**297,841**

The amounts of "Other Movements" show, in general, companies joining and leaving the consolidation process, together with the adjustment of final balances of individual companies for the preceding year in respect of those contributed to be consolidated. The net effect is not significant.

12.2. The following Tangible Assets have been fully depreciated:

Description	Amount
Buildings	591
Technical installations and machinery	30,892
Other installations, tools and furniture	5,977
Other Tangible Fixed Assets	9,956
Total	**47,416**

12.3. The most relevant revaluations in Tangible Fixed Assets in previous years are as follows:

Company	Gross Value	Accumulated Depreciation	Net Value
Abengoa	1,845	(121)	1,724
Befesa Aluminio Bilbao	2,915	(2,676)	239
Befesa Aluminio Valladolid	935	(676)	259
Befesa Desulfuración	9,220	(3,428)	5,792
Eucomsa	2,687	(2,354)	333
Total	**17,602**	**(9,255)**	**8,347**

The effect on the accumulated depreciation in the year was € 615 thousands.

12.4 The most significant investments in Tangible Fixed Assets (net of depreciation) located outside national territory are:

Country	**Amount**
Argentine	2,771
Brazil	1,860
Chile	391
United States of America	58,679
Morocco	79
Mexico	11,677
Peru	375
Portugal	5,709
United Kingdom	17,674
Uruguay	1,852
Total	**101,067**

Additionally, there are fixed assets in projects located outside national territory amounting to € 118,873 thousands of which € 105,322 thousands are located in Brazil.

12.5. Fixed Assets not assigned to company's operations are not significant.

12.6. It is the group's policy to insure all assets as considered necessary to cover possible risks, which could materially affect their value or usefulness.

Note13.- Project Financing.

13.1 Shareholdings in several companies with the corporate purpose of a “single project” are included in the consolidated group.

The companies with the Projects usually finance them by what is known as “Project Finance” (Financing without Recourse Applied to Projects).

In this figure, the basis of the agreement between the Company and the financial entities is the allocation of the cash flow generated by the project to repayment of the financing and settling the financial charges, excluding or limiting the amount of any other equity resources that may be used for this purpose, so that the financial entities recovers the investment exclusively through the cash flows of the project it is financing, with subordination of any other debt to that derived from the Financing without Recourse Applied to Projects until the latter has been fully repaid.

Thus, these are formulae for financing without recourse, which are applied only to specific business projects. In these companies used to participate other shareholders such as electricity companies, the authorities of the autonomous region or other local shareholders, apart from Abengoa, S.A. or subsidiaries.

13.2 The amounts of the captions related to Project Financing and the movement thereon during the year were as follows:

Fixed Assets in Projects	**Balance at 12.31.03**	**Balance at 12.31.02**
Intangible Fixed Assets	9,762	16,343
Tangible Fixed Assets	399,227	300,879
Financial Assets	54,074	67,125
Total	**463,063**	**384,347**

Financing without Recourse Applied to Projects	**Balance at 31.12.03**	**Balance at 31.12.02**
Long-term	176,203	140,357
Short-term	93,480	129,555
Total	**269,683**	**269,912**

Net	**193,980**	**114,435**

13.3. The amounts of the investments in fixed assets in Projects financed without recourse and the movement thereon during the year were as follows:

Intangible Fixed Assets	**Balance at 12.31.02**	**Increases**	**Decreases**	**Other Movements**	**Balance at 12.31.03**
Intangible Fixed Assets	20,557	1,457	-	(7,108)	14,906
Accumulated Amortisation	(4,214)	(3,644)	-	2,714	(5,144)
Net Intangible Fixed Assets	**16,343**	**(2,187)**	**-**	**(4,394)**	**9,762**

Tangible Fixed Assets	**Land and Buildings**	**Technical installations and machinery**	**Payments on Accounts and Assets in the Course of Construction**	**Other Tangible Fixed Assets**	**Total**
Cost					
Balance at December 31, 2002	19,438	294,434	26,626	9,178	349,676
Increases	141	2,260	146,825	143	149,369
Decreases	(836)	-	(15,449)	(5)	(16,290)
Other Movements	(1,283)	(24,267)	3,720	(3,351)	(25,181)
Balance at December 31, 2003	**17,460**	**272,427**	**161,722**	**5,965**	**457.574**
Accumulated Amortisation					
Balance at December 31, 2002	(4,544)	(40,873)	-	(3,380)	(48,797)
Increases	(634)	(15,553)	-	(693)	(16,880)
Decreases	262	-	-	-	262
Other Movements	79	6,782	-	207	7,068
Balance at December 31, 2003	**(4,837)**	**(49,644)**	**-**	**(3,866)**	**(58,347)**
Net Fixed Assets					
Balance at December 31 2002	**14,894**	**253,561**	**26,626**	**5,798**	**300,879**
Balance at December 31, 2003	**12,623**	**222,783**	**161,722**	**2,099**	**399,227**

Financial Assets	**Balance at 12.31.02**	**Increases**	**Decreases**	**Other Movements**	**Balance at 12.31.03**
Long-term Credits (See Note 20.3)	67,125	-	(2,986)	(10,065)	54,074
Provisions	-	-	-	-	-
Net Financial Assets	**67,125**	**-**	**(2,986)**	**(10,065)**	**54,074**

Net amount of Other Movements relates to the inclusion and exclusion of some companies (See Notes 6.4, 6.9 and Appendix I). The rest relates to reclassifications among the different sub-captions and, under the Tangible and Intangible Fixed Assets captions, is because some assets ceased to be considered as Fixed Assets in Projects.

The increase in Payments on Accounts and Assets in the course of construction amounting to € 146,825 thousands relates to the construction of the lines: Transmission lines Xingó-Angelim-Campina Grande, which concession is being executed by NTE Nordeste Transmissora de Energia, S.A. in Brazil; and STE Sul Transmissora de Energia, company in pre-operational phase (See Note 13.6)

13.4. It is planned, at present, to repay the Financing without Recourse Applied to Projects in accordance with the following calendar, pursuant to the forecast cash flow to be generated by the projects.

2004	**2005**	**2006**	**2007**	**2008**	**Following**	**Total**
93,480	37,874	27,833	27,554	13,102	69,840	269,683

The 2004 balance includes € 49,793 thousands relating to Financing without Recourse in Process (See Note 13.6).

13.5. Financing without Recourse Applied to Projects usually has the following guarantees:

- The pledge of shares in the promoting Company, authorized by the shareholders thereof.
- The assignment of collection rights.
- Limits on the disposal of the project’s assets.

13.6. Financing without Recourse in Process is defined as cash transactions in which financial resources are obtained, usually through financial entities. These transactions fall within the framework of the development of projects, which are, likewise, usually undertaken using Project Finance. This manner of obtaining funds is considered analogous to the traditional advance payments that the clients make during the different phases of the execution of a project or works. Financing without Recourse in Process is distinguished from the traditional client advance payments because it is usually a financial entity that provides the funds, which relate to short-term transactions (usually with a duration of less than 2 years) during the launching and construction phase of Assets/Projects which, once they have been completed and brought into operation, will be subject to concessions financed by means of Project Finance (See Note 13.1).

The short-term cash transactions remain under this heading until the financing without recourse applied to projects is definitively formalised.

Notwithstanding, if, during the short-term financing period, risks that the deadlines agreed for formalising the Project Finance (or for the construction that will finally give rise to the financing) will not be met are noted, these amounts are reclassified to the balance sheet caption that would correspond to them in view of their nature, usually the caption Debt with Credit Entities.

As per December 31, 2003 the most significant projects are:

The Urugueina-Macarambá-Santo Angelo-Santa Rosa 230 Kv Line, the concession for which is held by the company STE Sul Tansmissora de Energia, and the Line Lote A –Transmission Line Londrina-Assis-Sumaré, the concession for which is held by the company Abenasa Transmissao de Energia, Ltda. The most significant details of these two projects are shown in the following chart:

Description	**STE**	**ATE**
Project Starting Date	December 2002	February 2004
Scheduled Completion Date	August 2004	February 2006
Amount of Contract (EPC)	€ 48,587 thousands	€ 106,940 thousands
Completion at 12.31.03	€ 15,910 thousands	-
Starting Date Short-term Financing	December 2002	December 2003
Maturity Date Short-term Financing	August 2004	December 2005
Amount Drawn	€ 31,806 thousands	€ 2,226 thousands
Scheduled Starting Date Long-term Financing	July 2004	April 2005
Duration Long-term Financing	12 years	12 years
Total Amount Long-term Financing	€ 41,146 thousands	€ 94,233 thousands

Projects that were classified in this caption as per December 31, 2002 have been formalised as non recourse project finance and they are shown in Note 13.3.

Additionally, there are other temporary short-term treasury transactions amounting to € 15,761 thousands, corresponding to financing pending to be formalised and obtained to get launched some projects for Biocarburantes de Castilla y León, S.A. and ETBE Huelva, S.A.

13.7. The balances of intangible, tangible and financial fixed assets, both general and relating to Projects, relating to electricity operations as defined in Note 7 t) were as follows:

Activity	Balance at 12.31.02	Increases	Decreases	Other Movements	Balance at 12.31.03
Production under Special Regime: Cogeneration	143,534	27,300	-	(420)	170,414
Production under Special Regime: Hydraulic	8,124	32	-	(36)	8,120
Production under Special Regime: Other	43,146	56	-	(33,389)	9,813
Transport	104,171	105,042	-	(64,933)	144,280
Spanish Companies Cost	194,804	29,623	-	(32,796)	191,631
Foreign Companies Cost	104,171	102,807	-	(65,982)	140,996
Total Cost	**298,975**	**132,430**	**-**	**(98,778)**	**332,627**

Activity	Balance at 12.31.02	Increases	Decreases	Other Movements	Balance at 12.31.03
Production under Special Regime: Cogeneration	(26,621)	(6,009)	-	(4)	(32,634)
Production under Special Regime: Hydraulic	-	-	-	-	-
Production under Special Regime: Other	(13,948)	(678)	-	9,843	(4,783)
Transport	(4,346)	(639)	-	301	(4,684)
Spanish Companies Accumulated Amortization	(40,569)	(6,687)	-	9,839	(37,417)
Foreign Companies Accumulated Amortization	(4,346)	(639)	-	301	(4,684)
Total Accumulated Amortization	**(44,915)**	**(7,326)**	**-**	**10,140**	**(42,101)**
Net	**254,060**				**290,526**

Other Movements basically relate to the inclusion of the company NTE in the consolidated group, together with adjustments of both percentage shareholdings in companies and starting balances for the year.

The total amount relating to electricity activity is broken down between Fixed Assets in Project and other Fixed Assets as follows:

	Balance at 12.31.03	**Balance at 12.31.02**
Fixed Assets in Project	269,425	224,862
Other Fixed Assets	21,101	29,198
Total	**290,526**	**254,060**

13.8. The balances of Financing without Recourse Applied to Projects assigned to electricity activities as defined in Note 7 t) are as follows:

	Balance at 12.31.03	**Balance at 12.31.02**
Short-Term debt with Financial Entities	41,881	46,456
Long-Term debt with Financial Entities	167,573	124,180
Total	**209,454**	**170,636**

13.9. The balances of Financing without Recourse in Process relating to electricity activities as defined in Note 7.t) are as follows:

	Saldo al 12.31.03	**Saldo al 12.31.02**
Short-Term debt with Financial Entities	49,793	52,511
Long-Term debt with Financial Entities	-	-
Total	**49,793**	**52,511**

Note 14.- Financial Investments.

14.1. The detail of financial investments as of December 31, 2003 is as follows:

	Book value				
	Fixed Interest		Variable Interest		
Financial Investments	**Associated Companies**	**Other**	**Associated Companies**	**Other**	**Total**
Short-term investments	-	24,381	-	90,408	114,789
Long-term investments	-	-	23,952	36,839	60,791
Total	**-**	**24,381**	**23,952**	**127,247**	**175,580**

The provision recorded relating to variable interest-bearing instruments amounting to € 6,147 thousands (€ 254 thousands short-term and € 5,893 thousands long-term respectively).

The rest of short term provisions relate to non-commercial credits (See Note 15.2).

14.2. The detail of financial investments as of December 31, 2003 relating to companies located outside Spanish territory is as follows:

	Book value				
	Fixed Interest		Variable Interest		
Financial Investments	**Associated Companies**	**Other**	**Associated Companies**	**Other**	**Total**
Short-term investments	-	4,791	-	449	5,240
Long-term investments	-	-	10,030	10,704	20,734
Total	**-**	**4,791**	**10,030**	**11,153**	**25,974**

14.3. The variation in long-term variable interest investments is as follows:

Financial Investments	Balance at 12.31.02	Increases	Decreases	Balance at 12.31.03
Long-term variable interest	59,870	5,042	(4,121)	60,791

Increases shows, in general, companies newly consolidated by the equity method (See Notes 6.4, 6.7, 9 and Appendix II).

Decreases shows, in general, companies leaving the consolidated group (See Notes 6.9 and 6.10).

14.4. Short-term investments relate to shareholdings in IBEX listed companies amounting to € 88,448 thousands, to fixed interest investments (Public Debt and others) amounting to € 23,691 thousands and shareholdings in unlisted companies to € 2,610 thousands. At 2003 year end there were unrealized capital gains not booked amounting more than € 17,000 thousands.

The "financial gains" caption of the profit and loss account includes the net profits incurred on the disposal of values listed on organized secondary markets, for an approximate amount of € 15,013 thousands.

14.5. Details are given below of the companies which, in accordance with current legislation, have not been consolidated (See Notes 2 and 3) in which the parent companies direct or indirect interest is higher than 5% and lower than 20%, the net book value of said holdings being € 32,233 thousands.

Long Term Financial Investments	% Shareholding
Aguas y Gestión Servicios Ambientales, S.A.	18,00
Aquanima	5,00
Banda 26, S.A.	9,00
Cisep	12,50
Lanetro	5,20
Nexttel Communication Solutions, S.A.	10,00
Norpost, S.A.	10,00
Vetejar	8,67
Viryanet, Ltd.	16,60
Xfera Móviles, S.A. (See Note 14.6.)	5,46

Short Term Financial Investments	% Shareholding
BC International Corp.	9,90
Chekin	14,28
Comeesa	7,67
Mediación Bursátil, S.V.B., S.A.	8,00

14.6. On December 30, 2002, Telvent GIT, S.A., a subsidiary of Abengoa, S.A. and head of the Information Technologies Business Group, acquired 3,71% of Xfera, S.A. from Inversión Corporativa I.C. for the amount of € 25,000 thousands.

This shareholding was acquired due to its strategic interest for the activity of the Information Technologies Business Group and the basis for the amount involved was the reimbursement of the costs and expenses incurred by IC until said date as a consequence of the investment.

On December 31, 2003, the balance of said shareholding amounts to € 24,131 thousands, having recovered 2001 and 2002 guarantee costs from Xfera amounting to € 869 thousands, which were previously considered as higher value within the acquisition cost recorded by Telvent.

The valuation criterion for the investment is supported by the future recovery thereof through the supply of services and activities compatible with the business's current state of development, without prejudice that IC counterguarantees the investment, as communicated to the CNMV by Abengoa and IC in their Relevant Facts dated November, 6 and 7, 2003

Since the investment is strategic for the development of UMTS technology in the Information Technologies Business Group, Xfera's equity situation at the date of purchase and the forecasts for its future business development as an autonomous entity are irrelevant to Telvent, to the extent that the recovery of the investment made to date is evaluated solely through the discounted cash flows estimated on the basis of the institutional demand derived from the services that may currently be supplied to Xfera by the Telvent companies. Consequently, only additional future disbursements, to the extent that they may materialise, could have repercussions for Telvent and its group companies, which, in any case, will be subject to the regular systems of control and recovery of the investment, together with the requirements for meeting the rates of return on the sums invested, required on any other disbursement of this kind from the entities that form the group.

Telvent has real expectations of recovering the investment that exceed the simple consideration of its positioning as a passive investor in this telecommunications project. During the year 2003, modifications to the operator's business plan were made, which make it much closer and attainable in an appropriate environment. Telvent feels that this favourable evolution will materialise in the definitive commercial launching, which will allow it to realise its prospects of induced business, on which the valuation of its positioning is based, as from the second half of 2004.

In future years, from December 31, 2004 onwards, the pertinent valuation of the business will be made at each year end, taking into consideration the amounts and margins contracted as a consequence induced by the shareholding in Xfera and the existing prospects, and making, if applicable, the pertinent write-downs if the amount initially invested has been amortised.

Neither the current amount of the committed investment nor the other repercussions associated to the investment are in any case excessive or of any great significance for Abengoa as a whole. The company has, in fact, adopted an extremely conservative accounting principle, since it totally links, in this and future years, the amount invested to the identification of an intangible fixed asset the valuation of which will be effectively checked every year-end accounting closing in the future, considering the evolution of the possibilities of current business induced and ruling out any effect related to the evolution of the subsidiary's equity or finances.

As a consequence of the acquisition of its shareholding in Xfera, Telvent GIT, S.A. initially took on € 99.963 thousands in guarantees to the Spanish authorities, guaranteeing that the investment commitments acquired by the company in relation to the UMTS Licence would be met, and € 7,781 thousands as a bond in the appeal lodged with the authorities in relation to the amount of the radio-electric public domain reservation fee for the years 2001 and 2002.

During the year 2003, on March 21, the Secretariat of State for Telecommunications and the Information Society approved a resolution whereby the amounts and periods of the commitments acquired by Xfera were modified, which had a direct impact on the guarantees furnished. This allowed the company to commence steps to replace the 26 guarantees that had been in force until then (for € 2,687,184 thousands) by a single floating guarantee for € 467,797 thousands.

The incapacity of one of the shareholders at the beginning of the guarantee replacement process meant that, in order for the process to commence, said shareholder had to leave the company. The rest of the shareholders took on both its rights and its duties on a pro rata basis (except for the guarantees furnished in relation to the Fee appeal) and, therefore, its shares in Xfera at a symbolic value of 1 euro. In the case of Telvent GIT, S.A., this meant the acquisition of 5,390,876 additional shares, increasing its shareholding from 3.72% to 5.46% without increasing its book value.

Finally, the guarantees were replaced, the process commencing in June and ending in August. The amount Telvent currently guarantees for this item is € 25,541 thousands.

In accordance with normal practice in contracts for project financing without recourse to the shareholders, the totality of the shares of Xfera Móviles, S.A. have been pledged to guarantee compliance with a contract signed by said company with several technology suppliers, the pledge also covering any future shares that might be acquired as a result of any capital increases it may be decided to carry out.

14.7. All the notifications required by Article 86 of the Spanish Limited Companies Act have been made.

14.8. There are no important circumstances that would affect the financial investments, such as litigations, seizures, etc.

14.9. Financial investments are usually in Spanish currency. Those, which are in foreign currencies, are valued at the exchange rate prevailing at the year-end and, if necessary, a provision is established.

14.10. There are no firm purchase and/or sale commitments that could be considered material in respect of the annual accounts taken as a whole.

14.11. Receivable interest accrued is not significant.

14.12. Financial investments are remunerated at an interest rate similar to market rate.

Note 15.- Trade and Non-Trade Receivables.

15.1. The balance of the caption Clients, sales and services rendered, for foreign currency receivables has a value of € 72,508 thousands, broken down in the following chart:

Currency	Amount
Crown (Denmark)	77
Dirhams (Morocco)	7,489
Dollar (Canada)	1,324
Dollar (USA)	49,605
Dong (Vietnam)	271
Pound (United Kingdom)	1,085
Peso (Argentine)	1,559
Peso (Chile)	1,186
Peso (Mexico)	2,641
Peso (Uruguay)	3,013
Real (Brazil)	3,681
Sol (Peru)	344
Yuan (China)	233
Total	**72,508**

15.2. The breakdown of non-trade receivables is as follows:

Description	Amount
Long-term receivables	16,651
Long-term guarantees and guarantee deposits	3,722
Other long-term receivables	**20,373**
Short-term receivables	45,155
Short-term guarantees	2,367
Other short-term receivables	**47,522**
Total	**67,895**

Provisions against these balances are not significatives, amounting to € 408 thousands.

The amount relating to companies located outside Spanish territory is € 15,989 thousands.

15.3. The variation in long-term non-trade receivables for 2003 is as follows:

Description	Balance at 12.31.02	Increases	Decreases	Balance at 12.31.03
Long-term non-trade receivables	8,338	10,526	(2,213)	16,651

15.4. The maturities of non-trade receivables in the next five years, including short-term maturities, are as follows:

2004	2005	2006	2007	2008	Following	Total
45,155	12,506	130	131	255	3,629	61,806

15.5. In previous years, Befesa Construcción y Tecnología Medioambiental, S.A. signed a contract for the construction of several mini power stations, which have been in operation since 1999 and 2000, although their proprietor has not yet signed the provisional reception thereof. At December 31, 2003, the amount pending collection by said subsidiary was € 12,089 thousands for work completed and expenses related thereto. € 7,563 thousands and € 4,526 thousands of this amount are booked respectively as other long-term receivables and under the heading Stocks (See Note 16), respectively, in the assets on the consolidated balance sheet, relating to the cost of building the mini power plants.

In the preceding year, an arbitration award was issued whereby the proprietor of the mini power stations was ordered to pay € 12,632 thousands, which included late payment interest. An appeal against this award was filed with the Provincial Court of Madrid, which issued a judgement dated December 11, 2003 declaring the arbitration award to be null and void for formal reasons, without entering into the contents of the questions raised therein. The Company Directors does not consider that this situation to represent a capital loss for the Group, particularly because the pertinent administrative concession for use of the hydroelectricity of the mini power stations is mortgaged in favour of Befesa Construcción y Tecnología Medioambiental, S.A.

Note 16. Stocks.

16.1. The breakdown of the balance of stocks as of December 31, 2003 is as follows:

Description	**Amount**
Commercial inventories	6,956
Raw materials and other supplies	35,842
Work in progress	3,971
Projects in progress	115,401
Manufactured products	34,849
Advances	5,106
Total	**202,125**

The amount of stocks relating to companies located outside Spanish territory is € 44,731 thousands.

In the balance sheet liabilities (caption "Short-term Trade Creditors), there are advance payments from clients of € 26,195 thousands related to projects in the process of execution at the year end.

16.2. There are no significant firm purchase or sale commitments, with the exception of those mentioned in Note 32. Futures purchase transactions in raw material markets (cereals, commodities, etc.) are not significant (See Note 7.l).

16.3. There are no limits on the availability of the stocks due to guarantees or pledges other than the normal ones required by the projects. These are eliminated in the course of the execution of the project.

Note 17. Cash and Banks.

The Cash and Banks balance at December 31, 2003 was € 264,471 thousands, representing available liquid cash resources and balances in favour of group companies in current accounts at sight with immediate availability in Banks and Credit Institutions.

€ 227,699 thousands of this amount relates to companies based in Spain and € 36,772 thousands to companies based abroad.

The breakdown of these balances by the main currencies in which they are nominated is shown below:

Currency	**Spanish companies**	**Foreign companies**
Euro	159,531	620
US Dollar	68,168	23,724
Canadian Dollar	-	2,395
Swiss Franc	-	355
Sterling Pound	-	1,059
Brazilian Real	-	1,770
Argentine Peso	-	446
Mexican Peso	-	4,923
Chilean Peso	-	1,427
Other	-	53
Total	**227,699**	**36,772**

Note 18.- Shareholders' Equity.

18.1. The breakdown of the accounts comprising shareholders' equity as of December 31, 2002 and 2003 and of the variation therein is as follows:

	Balance at 12.31.02	Distribution of 2002 Profit	Other Movements	Balance at 12.31.03
Share Capital	22,617	-		22,617
Share Premium	110,009	-		110,009
Reserves in Parent Company:				
- Distributable	90,319	17,099	(1)	107,417
- Non-distributable	4,523	-	-	4,523
Revaluation Reserve	3,679	-	-	3,679
Reserves in fully and proportionally consolidated companies	79,411	10,673	(2,388)	87,696
Reserves in companies consolidated by equity method	866	3,059	(1,137)	2,788
Cumulative Translation Adjustments:				
- In Subsidiaries Consolidated by line-by-line or Proportional Method	(38,457)	-	(11,085)	(49,542)
- In companies consolidated by equity method	(5,710)	-	256	(5,454)
Dividend for the year 2002	-	12,666	(12,666)	-
	267,257			**283,733**
Consolidated Profit for the Year	**45,169**	**(45,169)**	**47,810**	**47,810**
Profit Attributable to Minority Interests	**(1,672)**	**1,672**	**(761)**	**(761)**
Profit Attributable to Holding Company	**43,497**	**(43,497)**	**47,049**	**47,049**
Total Shareholders´Equity	**310,754**			**330,782**

18.2. The share capital at December 31, 2002 was Euros 22,617,420, formed by 90,469,680 ordinary shares of a single class and series, all of which held identical economic and voting rights, with a nominal value of Euros 0.25 each, fully subscribed and paid up. The totality of these shares were represented by account entries and had been listed on the Madrid and Barcelona Stock Exchanges and the Stock Market Interconnection System (Continuous Market) since November 29, 1996. In June 2000, a capital increase took place, the shares of which have been listed on the Stock Exchange since August 31, 2000.

The 1998 Ordinary General Meeting of Shareholders adopted the resolutions to redenominate the share capital in Euros and to adapt the accounting records and the annual accounts to the Euro, delegating in the Board of Directors to execute this at the moment it saw fit. Consequently, the Board of Directors of Abengoa, S.A. was duly authorized to adopt the pertinent resolutions, in accordance with the implementing legislation that has been issued, within the calendar established.

The calendar for adaptation to the euro fixed the year 2002 as the first year in which the accounts must compulsorily be kept in Euros, the annual accounts formulated in Euros and the share capital denominated in Euros.

The first year in which the accounting and the annual accounts could be expressed in euros was 1999. On the basis of the foregoing, on December 11, 2000 the Board of Directors of Abengoa, S.A. resolved, effective in the year 2001, to redenominate the share capital in Euros, reducing the nominal value by Euros 0.00369 per share and fixing it at Euros 22,617,420, formed by 22,617,420 shares with a nominal value of 1 euro each. January 1, 2001 was fixed as the date as from which the Company accounting, trading books, individual and consolidated annual accounts and any information required in monetary units would be expressed in Euros, although the peseta would be kept, until this currency disappears, as a unit for comparison and historical records for the appropriate purposes.

18.3. According to the notifications received by the Company under the provisions of current legislation relative to obligations to give notice of percentage interests held, together with additional information provided by related companies, the most significant shareholders at December 31, 2003 are:

Shareholders	**% Shareholding**
Inversión Corporativa IC, S.A. (*)	50.00
Finarpisa, S.A. (*)	6.04
Vinuesa Inversiones, S.L.	5.09

(*) Inversión Corporativa Group.

18.4. The Shareholders, at their Ordinary Annual General Meeting held on June 29, 2003, authorized the Board of Directors:

1.- Increase the share capital, in one or several times, to the sum of Euros 11,308,710, equivalent to fifty percent of the share capital at the time of approval, within a maximum term of five years.

2.- To issue convertible debentures, with the resulting increase of up to € 243,810 thousands in the share capital, over a five-year period.

3.- To issue other securities that recognize or create a debt or capital contribution, within the legal limits applicable in each specific case.

4.- Acquire derivatively treasury stock, within the legal limits, at a price of between Euros 0.03 and Euros 120.00 per share, within a maximum term of eighteen months.

These authorizations, which are still in force, had not been used at the date of issue of these accounts.

18.5. The availability of the reserves is not subject to any restrictions except those imposed by current legislation. Thus, the balance of the caption Revaluation Reserve includes the net effect of the revaluation of balance sheets carried out under the provisions of Royal Decree Law 7/1996; the balance of this caption is frozen until it has been checked and accepted by the Tax Authorities. This verification must take place within the three years following the closing date of the balance sheet on which the revaluation was recorded (December 31, 1996), and, therefore, the term expired on December 31, 1999. When the verification has been made or when the time period has expired, the balance of the account may now be used to eliminate book losses, to increase the share capital or, when ten years have elapsed as from the closing date of the balance sheet in which the revaluation was recorded, as freely-available reserves.

18.6. The list of non-Group Companies / Entities that hold an interest of 10% or more in any of the consolidated companies is as follows:

Subsidiaries Companies	**Partner**	**% Shareholding**
Abalnor T&D, S.A. de C.V.	Alstom T&D, S.A. de C.V.	25.00
Abalnor T&D, S.A. de C.V.	Elecnor, S.A.	25.00
Abalnor T&D, S.A. de C.V.	Isolux de México, S.A. de C.V.	25.00
Abecnor Subestaciones, S.A. de C.V.	Elecnor, S.A.	50.00
ABG Servicios Ambientales, S.A.	Técnicas Medioambientales, S.A. (Tecmed)	20.00
ABG Servicios Ambientales, S.A.	Talde Promoción y Desarrollo SCR, S.A.	20.00
ABG Servicios Ambientales, S.A.	Descontaminación y Eliminación de Residuos, S.A.	20.00
ABG Servicios Ambientales, S.A.	Alfus, S.A.	20.00
Agua y Gestión Servicios Ambientales, S.A.	Al Andalus Servicios O.C. Cultura, S.L.	40.00
Agua y Gestión Servicios Ambientales, S.A.	Agua y Estructura, S.A.	18.00
Agua y Gestión Servicios Ambientales, S.A.	Construcciones y Depuraciones, S.A. (Codesa)	18.00
Aguas del Tunari, S.A.	International Water, Ltd.	55.00
Alianza Befesa Egmasa, S.L.	Egmasa. Empresa de Gestión Medioambiental, S.A.	50.00
Befesa Desulfuración, S.A.	Sefanitro, S.A.	10.00
Biocarburantes de Castilla y León, S.A.	Ebro Puleva, S.A.	50.00
Bioener Energía, S.A.	Ente Vasco de la Energía	50.00
Bioetanol Galicia, S.A.	Sodiga Galicia, Sociedad Capital Riesgo, S.A.	10.00
Cogeneración del Sur, S.A.	Aceites del Sur, S.A.	45.00
Cogeneración Motril, S.A.	Torraspapel, S.A.	51.00
Cogeneración Motril, S.A.	La Energía, S.A.	10.00
Consorcio Teyma M&C	Mora y Cortes Ltd.	50.00
Construcciones Metálicas Mexicanas, S.A. de C.V.	Cía. Española de Financiación del Des., Cofides, S.A.	30.40
Desarrollos Eólicos de Arico, S.A.	Soc.Inversora Maspalomas, S.A.	10.00
Desarrollos Eólicos de Arico, S.A.	Soc. Hidráulica Maspalomas, S.A.	23.35
Deydesa 2000, S.L.	Reydesa Recycling, S.A.	60.00
Donsplav	Scarp	49.00
Ecología de Canaria, S.A. (Ecansa)	Cepsa. (Cía. Española de Petróleos, S.A.)	55.00
ETBE Huelva, S.A.	Cepsa (Cía. Española de Petróleos, S.A.)	10.00
Europea de Construcciones Metálicas, S.A.	Tractebel España, S.A.	50.00
European Tank Clean Company (ET2C)	Sodi	49.97
Expansion Transm. Itumbiara Marimbondo, Ltda.	Cobra Instalaciones y Servicios, S.A.	25.00
Expansion Transm. Itumbiara Marimbondo, Ltda.	Elecnor, S.A.	25.00
Expansion Transm. Itumbiara Marimbondo, Ltda.	Isolux Wat, S.A.	25.00
Expansion Transmissao de Energía Electrica Ltda.	Cobra Instalaciones y Servicios, S.A.	25.00
Expansion Transmissao de Energía Electrica Ltda.	Elecnor, S.A.	25.00
Expansion Transmissao de Energía Electrica Ltda.	Isolux Wat, S.A.	25.00

Subsidiaries Companies (Continuation)	Partner	% Shareholding
Explotaciones Varias, S.A.	Layar Castilla, S.A.	50.00
Fotovoltaica Solar Sevilla, S.A.	IDAE	20.00
Galdán, S.A.	Fagor Ederlan Coop. Ltda.	50.00
Iniciativas Hidroeléctricas, S.A.	Suma de Energías, S.L.	45.00
Intersplav	Donets Non-Ferrius Metals Research Institute	43.16
Krasbilmet	Kramz	68.00
Lineas Altamira, S.A. de C.V.	Elecnor, S.A.	50.00
Líneas Baja California Sur, S.A. de C.V.	Elecnor, S.A.	50.00
Líneas Sistema Nacional, S.A. de C.V.	Techint, S.A. de C.V.	33.33
Líneas Sistema Nacional, S.A. de C.V.	Elecnor, S.A.	33.33
Líneas y Subestaciones 506, S.A. de C.V.	Isolux de México, S.A. de C.V.	25.00
Líneas y Subestaciones 506, S.A. de C.V.	Elecnor, S.A.	25.00
Líneas y Subestaciones 506, S.A. de C.V.	Iberdrola Ing. y Consultoría México, S.A. de C.V.	25.00
Líneas y Subestaciones de México, S.A. de C.V.	Elecnor, S.A.	33.33
Líneas y Substaciones de México, S.A. de C.V.	Iberdrola Ing. y Consultoría México, S.A. de C.V.	33.33
Nordeste Transmissora de Energía, S.A. (NTE)	Dragados Industrial, S.A.	49.99
Procesos Ecológicos, S.A. (Proecsa)	Global Plasma Environment, S.A.	49.99
Residuos Sólidos Urbanos de Ceuta, S.L. (Resurce)	Esys Montenay España, S.A.	50.00
Sainsel Sistemas Navales, S.A.	Saes Capital, S.A.	50.00
Sniace Cogeneración, S.A.	Bosques 2000, S.L.	10.00
Subest. y Líneas en el Bajío - Oriental, S.A. de C.V.	Elecnor, S.A.	33.33
Subest. y Líneas en el Bajío - Oriental, S.A. de C.V.	Isolux de México, S.A. de C.V.	33.33
Subestaciones 410, S.A. de C.V.	Alstom T&D, S.A. de C.V.	33.33
Subestaciones 410, S.A. de C.V.	Elecnor, S.A.	33.33
Subestaciones 615, S.A. de C.V.	Elecnor, S.A.	50.00
Subestaciones y Líneas de México, S.A. de C.V.	Iberdrola Ing. y Consultoría México, S.A. de C.V.	33.33
Subestaciones y Líneas de México, S.A. de C.V.	Elecnor, S.A.	33.33
Tenedora de Acciones de Red Eléctrica del Sur, S.A.	BSCH	25.01
Tenedora de Acciones de Red Eléctrica del Sur, S.A.	Cobra Perú, S.A.	33.33
TSMC Ingeniería y Construcción	Socopel	33.33
TSMC Ingeniería y Construcción	Mora y Cortés Ltd.	33.33
Tuxpan T&D, S.A. de C.V.	Alstom T&D, S.A. de C.V.	33.33
Tuxpan T&D, S.A. de C.V.	Elecnor, S.A.	33.33

18.7. The detail of reserves in subsidiary companies consolidated by line-by-line, proportional or equity method is as follows:

Company	Amount FC / PC	Amount EM
Sub-consolidated Befesa	22,916	2,352
Sub-consolidated Asa Iberoamérica	13,605	7
Sub-consolidated Information Technology	25,687	-
Sub-consolidated Asa ICI	7,661	429
Sub-consolidated Abengoa Bioenergy	18,189	-
Sub-consolidated Abengoa and those derived from the Consolidation process	(362)	-
Total	**87,696**	**2,788**

18.8. Details of the Fully and Proportionally Consolidated companies that generated the most significant accumulated translation differences are as follows:

Companies F.C.	**Amount**
Abengoa Bioenergy Corporation.	(21,259)
Abengoa Brasil, S.A.	2,108
Abengoa Chile, S.A.	(2,208)
Abenor, S.A.	(1,157)
Asa Investment AG	(1,760)
Bargoa, S.A.	(8,760)
Borg Austral, S.A.	(4,642)
C.D. Puerto San Carlos, S.A. de C.V.	(2,072)
Enicar Chile, S.A.	3,977
Mundiland, S.A.	1,083
NTE - Nordeste Transmissora de Energía, S.A.	(1,197)
Telvent Brasil, S.A.	(1,097)
Telvent USA, Inc.	(1,111)
Teyma Abengoa, S.A.	(1,769)
Teyma Uruguay, S.A.	(3,994)
Other Positive Differences < € 1.000 thousands	2,195
Other Negative Differences < € 1.000 thousands	(7,879)
Total	**(49,542)**

Companies P.C.	**Amount**
Expansion Transmissao de Energía Electrica Ltda.	(3,187)
Intersplav	(2,269)
Other Positive Differences < € 1.000 thousands	2
Total	**(5,454)**

The amount allocated to this caption in the year 2003 is € 10,829 thousands, basically due to the fall in value of the United States dollar, the Swiss franc and certain Latin American currencies, including the Uruguayan peso, the Argentinean peso, the Chilean peso, as well as the revaluation of the Brazilian real.

Note 19.- Minority Interests.

The detail of Minority interests as of December 31, 2002 and 2003 and of the variation therein is as follows:

Company	Balance at 12.31.02	Other Movements	Allocation of 2003 Results	Balance at 12.31.03
Abengoa México, S.A. de C.V.	440	(25)	39	454
Abengoa Perú, S.A.	7	(7)	(1)	(1)
Alfagrán, S.A.	263	330	(202)	391
Aluminios en Discos, S.A.	430	(430)	-	-
Aprovechamientos Energéticos Furesa, S.A.	38	-	(8)	30
Bargoa, S.A.	602	(71)	120	651
Befesa Medio Ambiente, S.A.	8,567	(433)	855	8,989
Befesa Tratamientos y Limpiezas Industriales, S.L.	508	(508)	-	-
Berako equipos especiales, S.L.	30	(30)	-	-
Bioetanol Galicia, S.A.	2,140	-	(116)	2,024
Cartera Ambiental, S.A.	695	(695)	-	-
Cogeneración Villaricos, S.A.	46	-	(5)	41
Construcciones Metálicas Mexicanas, S.A. de C.V. (Comemsa)	1,863	(1,742)	172	293
Ecocarburantes Españoles, S.A.	815	(353)	157	619
Ecomat, S.A.	742	(742)	-	-
Empresa Mixta de Servicios Municipales de El Ejido, S.A	504	(504)	-	-
Enernova Ayamonte, S.A.	137	-	(110)	27
ETBE Huelva, S.A.	-	226	-	226
Europea de Construcciones Metálicas, S.A.	3,630	(290)	297	3,637
Explotaciones Varias, S.A.	1,321	4	(63)	1,262
Galdán, S.A.	430	(90)	(242)	98
Hidro Clean, S.A.	273	(273)	-	-
Hidro Limp, S.A.	351	(351)	-	-
Iniciativas Hidroeléctricas, S.A.	1,224	-	-	1,224
L.T. 304 Noroeste, S.A. de C.V.	(9)	1	(7)	(15)
L.T. Rosarito y Monterrey, S.A. de C.V.	-	37	(302)	(265)
Laitek Luz y Tecnología, S.A.	601	(601)	-	-
MTC Engenharia, S.A.	-	-	-	-
Nordeste Transmissora de Energía, S.A. (NTE)	3	14,450	-	14,453
Nueva Electricidad del Gas, S.A.	90	(1)	(10)	79
Pandelco, S.A.	(38)	(7)	7	(38)
Procesos Ecológicos Vilches, S.A.	79	21	(659)	(559)
Procesos Ecológicos, S.A. (Proecsa)	238	(6)	-	232
Puerto Real Cogeneración, S.A.	(79)	-	(84)	(163)
Rontealde, S.A.	4,595	1,447	220	6,262
S.E.T. Sureste Peninsular, S.A. de C.V.	(185)	21	(14)	(178)
Sainsel Sistemas Navales, S.A.	754	(6)	83	831
Servicios Auxiliares de Administración, S.A. de C.V.	(14)	3	1	(10)
Sniace Cogeneración, S.A.	990	-	(111)	879
Sondika Zinc, S.A.	907	25	140	1,072
Telvent, S.A.	2,436	35	(41)	2,430
Teyma Uruguay, S.A.	377	3	(37)	343
Zindes, S.A.	2,153	263	168	2.584
Consolidado Befesa	4,754	(5,927)	139	(1,034)
Consolidado Telvent GIT	(21)	(129)	374	224
Eliminación entre subconsolidados	(1,874)	1,874	-	-
Total	**40,813**	**5,519**	**761**	**47,093**

Other movements include the effects of the shareholder changes in the different companies.

Note 20.- Deferred Income.

20.1. The breakdown of the balance of this caption at December 31, 2003 was as follows:

Description	Amount
Capital grants	42,215
Other deferred income	32,192
Total	**74,407**

20.2. The detail of capital grants is as follows:

Grant Beneficiary Company	Entity	Balance at 12.31.02	Other Movements	Amount Transferred to Results	Balance at 12.31.03
Aluminos en Discos, S.A.	Prov. Council of Huesca	31	(31)	-	-
Aluminos en Discos, S.A.	Prov. Council of Huesca	72	(72)	-	-
Aluminos en Discos, S.A.	Prov. Council of Huesca	8	(8)	-	-
Arce Sistemas, S.A.	Iberdrola	12	-	(1)	11
Aureca, S.L.	M. Economy and Finance	81	(81)	-	-
Aurecan, S.L.	M. Economy and Finance	208	(208)	-	-
Auremur	M. Economy and Finance	699	(699)	-	-
Aureval, S.L.	ICO	209	(209)	-	-
Befesa Aluminio Bilbao, S.L.	Intek	-	45	(45)	-
Befesa Desulfuración, S.A.	Basque Reg. Government	1,942	-	(132)	1,810
Befesa Escorias Salinas, S.A.	M. Economy and Finance	382	-	(279)	104
Befesa Gestión de PCB, S.A.	M. Economy and Finance	484	-	(81)	403
Befesa Gestión de PCB, S.A.	MCT	8	-	(1)	7
Befesa Gestión Residuos Industriales,S.L.	M. Economy and Finance	39	-	(7)	32
Befesa Gestión Residuos Industriales,S.L.	Envir.Dep. Andalusia Reg. Govern.	2,103	-	(279)	1,824
Befesa Gestión Residuos Industriales,S.L.	Grant Impiva	11	-	(1)	10
Befesa Gestión Residuos Industriales,S.L.	ICO/Instituto Fomento Murcia	838	-	(105)	733
Befesa Gestión Residuos Industriales,S.L.	M. Science and Technology	-	22	(22)	-
Befesa Gestión Residuos Industriales,S.L.	European Union	-	22	(22)	-
Befesa Plásticos, S.L.	M. Industry and Energy	195	-	(65)	130
Befesa Plásticos, S.L.	Regional Incentives	16	(2)	(4)	10
Befesa Plásticos, S.L.	Regional Incentives	243	-	(33)	210
Befesa Tratamientos y Limpiezas Industriales	Scania	-	9	(1)	8
Befesa Tratamientos y Limpiezas Industriales	ICO	6	-	(1)	5
Befesa Tratamientos y Limpiezas Industriales, S.L.	Principado Asturias SAP	-	25	(9)	16
Befesa Tratamientos y Limpiezas Industriales, S.L.	ICO	2	-	(2)	-
Befesa Tratamientos y Limpiezas Industriales, S.L.	Andalusia Reg. Government	280	-	(40)	240
Bioetanol Galicia, S.A.	Consellería de Industria e Com.	179	-	(12)	167
Bioetanol Galicia, S.A.	IDAE	419	-	(28)	391
Bioetanol Galicia, S.A.	Consellería de Industria e Com.	1,615	(1)	(108)	1,506
Bioetanol Galicia, S.A.	Igape	4,907	(1)	(329)	4,577
Bioetanol Galicia, S.A.	Mº. de Economía y Hacienda	10,182	-	(683)	9,499
Cogeneración Villaricos, S.A.	ICO-BEI	250	2	(13)	239
Cogeneración Villaricos, S.A.	Andalusia Reg. Government	475	-	(24)	451
Ecocarburantes Españoles, S.A.	Murcia Reg. Government	8,713	(1)	(716)	7,996
Enernova Ayamonte, S.A.	Andalusia Reg. Government	479	-	(24)	455
Instalaciones Inabensa, S.A.	European Commission	1,089	113	(802)	400
Nueva Electricidad del Gas, S.A	Andalusia Reg. Government	302	-	(23)	280
Procesos Ecológicos Vilches, S.A.	Andalusia Reg. Government	751	-	(65)	686
Puerto Real Cogeneración, S.A.	Andalusia Reg. Government	319	-	(40)	279
Sanlucar Solar, S.A.	Andalusia Reg. Government	-	35	-	35
Solucar Energía, S.A.	European Union	1,307	1,001	(346)	1,962
Solucar Energía, S.A.	M. Science and Technology	313	137	(137)	313
Telvent Energía y Medio Ambiente, S.A.	ICEX	10	67	(67)	10
Telvent Energía y Medio Ambiente, S.A.	European Commission	-	-	-	-
Telvent Energía y Medio Ambiente, S.A.	M. Science and Technology	39	-	(38)	2
Telvent Energía y Medio Ambiente, S.A.	M. Science and Technology	1	784	(592)	192
Telvent Energía y Medio Ambiente, S.A.	European Commission	-	28	(28)	-
Telvent Interactiva, S.A.	M. Science and Technology	-	585	(493)	92
Telvent Interactiva, S.A.	Andalusia Reg. Government	-	172	(6)	166
Adjustment to consolidation criteria		7,583	(2,495)	1,876	6,964
Total		**46,802**	**(761)**	**(3,826)**	**42,215**

Capital grants are related to investments in Tangible and Intangible Fixed Assets. There are no cases of non-compliance at this stage or expected whereby the Entity awarding the grant could claim it to be returned.

The caption Other Extraordinary Income, books an amount of € 1,357 thousands relating to the annual allocation of the grant received by Abengoa Bioenergy R&D from the Department of Energy (DOE) of the United States Government as part of the financing of a R&D project in Bioethanol production from lignocelluloses biomass (See Note 26.8).

20.3. Movement on the caption "Other Deferred Income" in the year was as follows:

Description	Balance at 12.31.02	Increases	Decreases	Balance at 12.31.03
Exchange rate gains	9,877	1,945	(5,560)	6,262
Huepil de Electricidad, S.A.	41,502	-	(15,572)	25,930
Total	**51,379**	**1,945**	**(21,132)**	**32,192**

Huepil de Electricidad, S.A. is the company holding the concession for the Ralco-Charrúa High-Tension Line, included in the projects with financing without recourse (See Note 13.1).

This project has been formalised through a financial leasing (lessor-leasing) contract nominated in US dollars, which is recorded as Financial Assets in Projects (See Note 13.3) for a value of € 54,074 thousands.

The amount of € 25,930 thousands booked under Other Deferred Income includes the financial interest on the contract maturing in the long-term, which will be allocated to the profit and loss account following a financial criterion.

The decrease for the year relates to reclassification to short term and the effect of the fluctuation of the currency in which the contract is nominated.

Note 21.- Provisions for Contingencies and Expenses.

21.1. Movement on the caption "Provisions for Contingencies and Expenses" in the year was as follows:

Description	Balance at 12.31.02	Increases	Decreases	Other Movements	Balance at 12.31.03
Provisions for Contingencies and Expenses	34,571	16,580	(13,282)	(585)	37,284

21.2. At year-end and applying a conservative valuation principle, provisions of € 16,580 thousands were booked in order to cover general business evolution risks and specific risks of contingencies that may arise as a result of arbitration or legal proceedings filed by Abengoa in businesses outside Spanish territory. In the opinion of the Directors and legal advisors, Abengoa has sufficient valid arguments for the amounts claimed to be recognized in its favour, with the dismissal, if applicable, of any possible counterclaims filed against it.

During the year, provisions of € 13,282 thousands (registered in previous years) were applied, since it was registered that, even though the directors and legal advisors are of the opinion that Abengoa had sufficient arguments for the amounts subject to claims to be recognised in its favour, the time which had elapsed without the claims being resolved made it advisable to classify them as possible contingent assets, proceeding to the application of the provision. In case that the claims were materialised and collected, will be recorded as income in the year when it occurs. Likewise, an amount of € 585 thousands was applied to several minor items for which provision had previously been made.

21.3. The balance at December 31, 2003 incorporate an amount of € 2,957 thousands included in Befesa Medio Ambiente, S.A. Financial Statements and other companies, and relates to provisions for guarantees and other provisions (See Note 7.o).

Note 22.- Non-Trade Payables.

22.1. The detail of debts with financial institutions is as follows:

Description	Balance at 12.31.03
Short-term debts	62,330
Long-term debts	545,754
Total	**608,084**

This amount includes debt denominated in foreign currency for an amount of € 16,478 thousands, € 637 thousands relating to companies resident in Spain, and € 15,841 thousands to companies resident abroad (See Note 22.6).

22.2. Loan and credit facility payments are analysed as follows:

2004	2005	2006	2007	2008	Following	Total
62,330	11,077	175,568	172,268	170,766	16,075	608,084

The amounts maturing in the year 2006 onwards include a long-term syndicated loan signed on May 28, 2002 for an amount of € 500,000 thousands. It was granted by certain subsidiary companies. The loan has an estimated term of 6 years and repayment of the principal will commence from the year 2006 onwards. The loan is intended to finance investments in projects and other investments in companies that allow the Group's business and lines of activity to be expanded. Traditionally, Abengoa has maintained this line of long-term financing within the conditions established with the financial institutions, implying compliance with certain conditions agreed between the parties, which are the usual ones in this type of financial operation.

In order to minimize the volatility of the interest rates on financial operations, specific contracts are signed to hedge any possible variations that might take place. At December 31, 2003, there were CAP contracts hedging interest covering 100% of the syndicated loan. Taking these hedges into account, the maximum average interest rate payable by the company would be 4.65%.

22.3. Accrued interest due to financial institutions totals € 2,696 thousands, which is included under the caption "Short-term debts with credit entities".

22.4. There are no debt secured by real property mortgage at December 31, 2003.

22.5. Credit facilities for the discount of trade bills are renewable and may be extended at any moment. Therefore a quantification of credit limits is not relevant for the purpose of the annual accounts.

22.6. The equivalent for the breakdown of the most significant foreign currency debt with financial entities is as follows:

	Companies Located	
Currency	**Outside Spain**	**Spain**
Dollar (USA)	8,994	637
Peso (Argentine)	576	-
Peso (Mexico)	2,904	-
Peso (Uruguay)	458	-
Real (Brazil)	2,697	-
Sol (Peru)	213	-
Total	**15,841**	**637**

22.7. The average rate of the credit transactions is within market rates in each of the countries where each operation is formalised.

Note 23.- Other Long-Term Creditors.

23.1. The breakdown of this caption at December 31, 2003 was as follows:

Description	Balance at 12.31.03
Debt with leasing entities	13,752
Other long-term creditors	84,299
Total	**98,051**

23.2. In the year 2002, based on a lease-back transaction signed with a financial institution during the year, the company Carrierhouse, S.A. booked the disposal of fixed assets assigned to said company for an amount of € 16,702 thousands as decreases in the caption "Technical Installations and Machinery" and, at the same time, recorded the aforementioned lease-back agreement under the caption "Rights under Leasing Contracts" No capital gain or loss was recorded as a result of the operation described.

23.3. In the year 2003, the company Abengoa Bioenergy Corporation (ABC, formerly HPC until the preceding year) signed a sale and lease-back transaction on a indivisible part (51.28%) of the fixed assets of the York plant (state of Nebraska, USA) with Bank of America Leasing Corporation and Merrill Lynch Leasing (Wells Fargo Bank Northwest, National Association). This transaction, which fell within the financing strategy for the Group's Biofuel business branch and should be considered as the first of other similar transactions currently being in process, was performed on the basis of technical valuations by independent experts, which assigned the assets of said plant (with a capacity of 50 million gallons of nominal production of ethanol) a present value of 63.8 million dollars (€ 50.5 million) (this figure drops to 56.8 million dollars (€ 45.0 million) when the assets not involved in the transaction, such as office buildings, laboratories and land property rights, are eliminated), on the basis of technical financial interest of 11%. This valuation, which was performed by the firm AccuVal Associates on the basis of different methods, including discounted cash flow, replacement value and comparable assets, would fully support maintaining the amount of 105.9 million dollars (€ 83.8 million) paid (in January 2002) for 100% ownership of said company (annual capacity of 85 million gallons of ethanol) as a result of the takeover bid promoted by Abengoa.

In accordance with the accounting treatment adopted, applying the strictest international accounting standards and in spite of compliance with the mathematical criteria required under certain comparable legislation, together with compliance with the criteria upheld in negotiating the transaction by the banking institutions involved, it was decided to keep the net book value of the affected assets in the balance sheet assets in the pertinent proportion, considering the economic background of the transaction and the fact that only an indivisible part thereof had been transferred at December 31, 2003. The net book value of this asset was 19.3 million dollars (€ 15.3 million) and the corresponding short- and long-term payable, pursuant to the planned leasing payment period, of the amount received for the transaction, net of commissions, of 29.1 million dollars (€ 23 million). The latent gain of 9.8 million dollars (€ 7.8 million) is not recognized as a profit in the accompanying consolidated accounts, since it is appropriate to defer it in order to annually offset the cost to be borne as leasing payments and reduce it to a value substantially identical (net of the financial effect) to the value that would result from the systematic depreciation over the same time period as the term agreed for payment of the future non-cancellable leasing payments.

Although, for operational reasons, the transaction was formalized through the subsidiary ABC, from the point of view of the consolidated group, it implies the transfer of an indivisible part of an asset and the payment of periodic rent over the period of use thereof. In this context, Abengoa will be responsible for the future payments committed in the next ten years as rental of the asset for its own use and exploitation, which will represent an annual effect of 3.6 million dollars (€ 2.8 million), considering it as an operating expense necessary for carrying on the activity.

The company has the option, although it is not obliged to execute it, to repurchase the installations in September 2010, after 6 years and 9 months of leasing payments (EBO clause), for an amount of 14.7 million dollars (€ 11.6 million). Alternatively, this option may be executed at the end of the leasing period (December 2013) at a price that will take the market value into account (Fair Market Value). If ABC or the Abengoa Group finally decided not the execute this option, the Group undertakes to facilitate the solution that the lessor decides to apply that permits the transfer of the asset to third parties or the use or management thereof in another way.

If this transaction had been considered as an off-balance-sheet financial transaction that involved the associated assets and liabilities being fully removed from the consolidated annual accounts of Abengoa at December 31, 2003, without recognising, in any case, a profit as a result of the disposal of said assets, the balance sheet captions affected would be: less amount of assets (Tangible Fixed Assets) for € 15,281 thousands, less amount of liabilities (Long-term Creditors) for € 23,023 thousands, and increase in value of liabilities of € 7,742 thousands (Deferred Income), due to the deferral over the term of the transaction of the latent capital gain, which would be booked in the profit and loss account simultaneously to the leasing expense.

The Directors are of the opinion that the amounts resulting from a pro-forma balance sheet considering the contents of the preceding paragraph would provide a true and fair view of the financial situation of the company and the consolidated group, taking into account the business strategy, the arguments used in the transaction by the financial institutions that are participating and, in particular, the fact that the company has no any commitment to execute the purchase option on the assets and, on the basis of the conditions of the transaction, it cannot be presumed that reasonable doubts do not exist as to whether the purchase option will be executed.

23.4. The caption Other Long-term Creditors includes long-term balances payable to official entities (Ministry of Industry and Energy and others) in repayment of subsidized interest-free loans granted for Research & Development projects.

Note 24.- Tax Situation.

24.1. Abengoa, S.A. and 44 other Group companies (see Appendix V to these Notes) are taxed under the Special Regime for Company Groups for 2003, with the number 2/97. Likewise, Befesa Medio Ambiente, S.A. and 9 other companies (see Appendix V hereto) are taxed in the year 2003 under the Special Company Group Regime with numbers 4/01 B. The rest of the Group companies are subject to corporate tax under the General Regime.

24.2. In order to calculate the taxable income of the consolidated tax group and the individual tax companies, the book profit is adjusted in accordance with any timing or permanent differences that may exist, giving rise to the pertinent prepaid and deferred taxes, resulting from applying the accounting principle of accrual. In general, prepaid and deferred taxes arise as a result of making the valuation criteria and principles in the accounts of individual companies consistent with those of the consolidated group, to which the parent company's criteria and principles are applied.

24.3. The corporate income tax payable, under either the general regime or the special regime for groups of companies, is the result of applying the pertinent tax rate to each taxpayer, pursuant to current legislation in each one of the tax territories and/or countries in which the different companies have their registered offices. The tax allowances and credits to which the different companies are entitled, which relate mainly to double inter-Company and international taxation and to investments made, are likewise applied. Some companies taxed under special individual regimes, have been entitled to tax reductions based on the rules applicable to their activities.

24.4. Reconciliation of the accounting result with the taxable income is as follows:

Reconciliation Accounting Result with Taxable Income	**Amount**
Consolidated profits after tax	47,810
Permanent differences	
- Corporate income tax	16,687
- Originated from individual companies	1,063
- Originated from consolidation	19,290
Temporary differences	
- Originated from the individual companies	(673)
- Originated from consolidation	(1,973)
Offsetting of negative tax bases	(10,525)
Taxable Income	**71,679**

The permanent differences on consolidation arise mainly from the distribution of dividends, the provision for amortisation of Goodwill and the portfolio provisions for consolidated companies.

Temporary differences on consolidation originate from the adaptation of accounting criteria to those applied by the parent company.

The breakdown of the corporate income tax item on the consolidated profit and loss account for the year 2003 is as follows:

Description	**Amount**
Forecast Tax Expense previous to deductions	(19,661)
Capitalisation of Deferred Tax Assets (See Note 24.5)	8,668
Reversal of Deferred Tax Assets capitalised in previous years	(5,694)
Total	**(16,687)**

24.5. As established in a Resolution of the Spanish Institute of Accounting and Auditing, dated March 15, 2002, the Group accounted for deferred tax assets arising from certain deductions pending application as per December 31,2002. This should be taken into account in order to compare tax expenses for 2003 and the previous year.

The amount of this deferred tax asset (See Note 24.4), together with the prepaid tax recorded in earlier years, appears under the caption "Other Debtors" in the Assets of the Consolidated Balance Sheet for an amount of € 41,794 thousands at December 31, 2003.

Included in that amount there are € 10,046 thousands relating to companies located outside national territory. The most significant are Brazil amounting to € 3,357 thousands and Argentine amounting to € 2,824 thousands. In Brazil, negative tax bases pending application do not prescribe and in Argentine there is a maximum period of 10 years to compensate them.

24.6. In accordance with the provisions of article 36 ter. 8) of Law 43/1995 of December 27, the Corporate Tax Act, the following is the information necessary to meet the formal requirements of the tax credit for reinvestment of the extraordinary profits generated by Abengoa, S.A. in the year 2003.

Transfer Date	Asset Transferred	Amount of Transfer (a)	Net Book Value (b)	Monetary Fall in Value Art. 15.11 Corp.Tax Act (c)	Income to be applied as Tax Credit (a-b-c)	Reinvestment Date
12-17-02	Tangible Fixed Assets	28,858	3,658	481	24,719	11-22-02

In accordance with article 84 in Law 43/1995 of December 27, the Corporate Tax Act, the reinvestment has been made in a member of the tax group, Bioetanol Galicia, S.A. Said reinvestment materialised in the Bioethanol production plant with an annual capacity of 126.5 million litres, using cereals as raw materials, for use as gasoline additives, also obtaining a co-product with a high protein content for animal food, together with the operation of a simple cycle cogeneration plant of 24.8 Mw, for an amount of € 92,131 thousands.

24.7. Due to possible different interpretations of the tax legislation applicable to each one of the territories and/or countries in which the different companies are tax residents, there may be certain contingent tax liabilities. However, in the opinion of the tax advisors, the possibility of their materialisation is remote, and in any event, the amount, which could arise from this, would not significantly affect the annual accounts.

In accordance with the applicable accounting principles, accounting provision is made for contingencies deemed probable, while those classified as remote are not recognized as such or broken down, except when the degree of probability thereof can be considered to be at least possible.

Note 25.- Guarantees Furnished with Third Parties and Other Contingencies.

25.1. Guarantees furnished to third parties, totalling € 405,273 thousands at the year-end comprise guarantees for completed contracts as well as for bidding rights.

There are guarantees furnished between Group companies amounting to € 469,795 thousands. These guarantees are to secure financial operations recorded as liabilities on the consolidated balance sheet at December 31, 2003, corresponding an amount of € 252,332 thousands to operations outside Spanish territory, relating to both foreign companies and Spanish companies operating abroad.

25.2. At December 31, 2003, Abengoa and its group of companies were involved in legal actions both in their favour and against them, as a natural result of their business and the economic and technical claims that the parties to a contract frequently file against each other. The most significant of these claims is currently located abroad and refers to a contract for the redevelopment of electricity generation units regarding which, due to various incidents, the group company to which the contract had been awarded filed a claim, as a result of the impossibility of executing the project in the manner in which it was defined because the client did not duly obtain, on a timely basis, the pertinent administrative permits required to carry out the work.

As a consequence of the foregoing, said company holding the contract claimed substantial economic amounts that have not been recognized in the accompanying annual accounts or in those prepared in previous years, given their status as contingent assets. The client finally filed counterclaims against these claims in 2003, including the items intangible losses and claims for indirect damages very much higher that the total of the original contract (around 200 million dollars). The Directors of Abengoa expect that this dispute can be resolved appropriately in a reasonable period of time and, therefore, do not consider it to represent liabilities subject to be accounted for. This opinion is corroborated by the company’s legal advisors, especially because of the limitation established in the contract itself, which excludes liability for indirect damages and limits liability for direct damages.

Note 26.- Income and Expenses.

26.1. Transactions carried out during the year by Abengoa, S.A. with Temporary Consortiums not included in the consolidation process amount € 20,354 thousands (sales).

26.2. The caption "Other Operating Income" on the consolidated profit and loss account relates to accessory income, operating grants and all other income not included under other income captions, except extraordinary income. The breakdown is as follows:

Description	Amount
Accessory income	32,027
Consortium Integration	2,686
Operating grants	3,427
Total	**38,139**

26.3. The volume of transactions carried out in foreign currency is as follows:

Description	Amount
Sales	473,571
Purchases	291,387
External Services (Received)	65,301
External Services (Provided)	72,979

26.4. The distribution of the net turnover by activity is as follows:

Business Groups	Amount	%
Bioenergy	291,413	17.82
Environmental Services.	365,329	22.34
Information Technology	265,575	16.24
Engineering and Industrial Construction	712,997	43.60
Total	**1,635,314**	**100.00**

26.5. The distribution by geographical area is as follows:

Geographical Area	Amount	%
Domestic Market	**971,267**	**59.39**
- European Union	76,665	4.69
- OECD countries	360,619	22.05
- Other countries	226,763	13.87
International Market	**664,047**	**40.61**
Total	**1,635,314**	**100.00**

26.6. The net aggregated turnover of the companies included in the consolidation, which are not resident in Spain, was € 485,388 thousands. The consolidated annual accounts include the accumulated reserves and retained earnings of the individual consolidated companies in the shareholders' equity, not considering the effect of the hypothetical distribution thereof, since said reserves and retained earnings are used as a financing source in each one of the companies.

26.7. The average number of employees in the year is, by categories, as follows:

	Average Number		
Categories	**Spain**	**Outside Spain**	**Total**
Engineers and University Graduates	903	388	1,291
Technical Staff	877	286	1,163
Clerical Staff	522	131	653
Workmen and other	3,219	2,500	5,719
Total	**5,521**	**3,305**	**8,826**

To accumulate this information, the entities included in the consolidation were considered only in the cases where the full or proportional consolidation methods are applied.

26.8. The detail of extraordinary income and expenses is as follows:

Income	Amount
Profits on sale of Intangible and Tangible Fixed Assets	319
Disposal of investment in group companies	5,412
Capital grants transfers to profit for the year	3,826
Provision for contingencies and expenses application (See Note 21.2)	13,282
Other extraordinary income	11,090
Total	**33,929**

Income	Amount
Disposal of Intangible and Tangible Assets	915
Variation in provisions for Tangible and Intangible Fixed Assets	2,295
Disposal of investment in group companies	946
Provision for Contingencies and Expenses (See Note 21.2)	16,580
Other extraordinary expenses	14,914
Total	**35,650**

Net Extraordinary Losses	**(1,721)**

26.9. The detail of the contributions to the profit and loss account after tax is as follows:

	Amount
Sub-consolidated Asa Iberoamérica	71
Sub-consolidated Befesa	7,953
Sub-consolidated Bioenergy	7,140
Sub-consolidated Abeinsa	14,619
Sub-consolidated Information Technology	7,804
Sub-consolidated Abengoa and Consolidation process	10,223
Total	**47,810**

The individual annual accounts of the Spanish companies included in the consolidation are filed at the Companies Registry of the province in which their corporate headquarters are located, pursuant to current mercantile legislation.

26.10. The net turnover figures of the companies with electricity operations as defined in Note 7 t) are the following

Activity	**Amount**
Production under special regime: cogeneration	67,670
Production under special regime: hydraulic	743
Production under special regime: Transport	4,240
Production under special regime: Other	4,920
Total	**77,573**

26.11. The balance of consumption and other external expenses is € 1,019,745 thousands, of which € 744,902 thousands relate to purchases, € 25,724 thousands to variation in inventories, € 23 thousands to purchases returned, € 458 thousands to volume discounts on purchases and € 249,600 thousands to work carried out by other companies.

The balance of personnel costs is € 243,252 thousands, of which € 195,220 thousands relate to wages, salaries or similar and € 48,032 thousands staff welfare charges.

26.12. The balance of the caption Work Carried out on Fixed Assets is € 31,912 thousands, relating to the expenses incurred by the companies on their fixed assets, using their equipment and personnel, which are capitalized. Of this amount, € 12,020 thousands relate to purchase and sale transactions between companies in the consolidated group, to which consolidation criteria and principles, explained in Note 7.h, are applied. The rest relate to individual companies.

26.13. The balance of Other Financial Income is € 14,892 thousands, the most significant amounts relating to Other Financial Income € 12,120 thousands and Income from Fixed-Income Securities € 1,392 thousands.

26.14. The breakdown of Other Operating Expenses is as follows:

Description	Amount
External Services	236,512
Taxes	7,695
Other Management Expenses	9,510
Total	**253,717**

The caption External Services includes, among other items, rentals and royalties for an amount of € 31,048 thousands, transport for an amount of € 25,460 thousands, services of independent professionals for an amount of € 69,517 thousands, and other services for an amount of € 44,284 thousands.

Note 27.- Accounts with Related Companies.

27.1. The account held by Abengoa, S.A. with Inversión Corporativa I.C., S.A. at the year-end shows a nil balance.

27.2. Dividends paid to related companies in the year total € 7,743 thousands.

27.3. On December 17, 2002, Abengoa, S.A. sold some lands and installations that belonged to it to Iniciativa de Bienes Inmuebles, S.A., a subsidiary of Inversión Corporativa I.C., S.A. The selling price was € 28,858 thousands, with capital gains of € 25,200 thousands on the sale. The selling price was established in accordance with reports on the value prepared by independent professional experts.

The agreements in force between Abengoa, S.A. and Iniciativas de Bienes Inmuebles, Ibisa (Inversión Corporativa) include the commitment, in the event that the value of the plots of land acquired by Ibisa from Abengoa, S.A. were, for any reason, finally higher than the acquisition price plus expenses, whereby Ibisa undertakes to pay Abengoa, S.A. the difference between the two values or, alternatively, to grant a repurchase option on the same land in the same terms as were initially agreed for the sale.

27.4. Other transactions performed during the year with significant shareholders were:

- Creation of a surface right for Explotaciones Casaquemada, S.A. (a subsidiary of Inversión Corporativa, I.C., S.A., the reference shareholder of Abengoa) in favour of Sanlúcar Solar, S.A. (a subsidiary of Abengoa) by means of a public deed dated January 15, 2003, for a term of 30 years, on land of 70 hectares, to be used for the promotion, construction and exploitation of a solar energy plant by Sanlúcar Solar. The accumulated fee for the whole term is € 1,256 thousands.

- Likewise, Explotaciones Casaquemada, S.A. and Herrería La Mayor, S.A. (subsidiaries of Inversión Corporativa) sold barley from land taken out of production for an overall amount of € 28,4 thousands, to be used in the production of biofuels, within the Community Aid Programme.

Note 28.- Other Information.

28.1. The total remuneration paid to the members of the Board of Directors in their capacity as such and to the Board of Directors Advisory Council members of Abengoa, S.A. in the year 2003, was € 388 thousands for salaries and subsistence allowances, and € 78 thousands for other items.

In addition, in the year 2003, the remuneration paid to the Senior Management of the Company in their capacity as such, considering the members thereof to be the group of fifteen people who form the corporate bodies of the Chairman's Office, the Strategy Committee and the Management of the Corporate Departments, was € 4,765 thousands, including both variable and fixed items.

28.2. There are no advances or loans given to the members of the Board of Directors or obligations contracted by them under guarantee.

28.3. Since July 19, 2003, the date of entry into force of Law 26/2003 whereby Law 24/1988 of July 28 on the Stock Market and the Revised Text of the Limited Liability Companies Act were amended in order to reinforce the transparency of limited liability companies, the members of the Board of Directors have not held shares in the capital of companies that carry out activities directly with a type that is the same as or analogous or complementary to that included in the corporate purpose of the parent company. Likewise, they have not carried on and do not carry on at present any activities, for their own account or for the account of third parties, of a type that is the same as or analogous or complementary to that which constitutes the corporate purpose of Abengoa, S.A.

Mr. José B. Terceiro Lomba, an independent director, who holds the positions of Chairman of the Advisory Counsel, member of the Audit Committee and member of the Appointments and Remuneration Committee, forms, at the same time, part of the Board of Directors of Unión Fenosa, S.A., a company which, given the description of its corporate purpose, could carry on activities analogous or complementary to those carried on by Abengoa, S.A. and its group of companies.

28.4. According to the register of significant shareholdings that the Company keeps pursuant to the provisions of the Internal Conduct Regulations on Stock Market Matters, the Directors percentage holdings in the Company's capital at December 31, 2003 were as follows:

	% Direct	**% Indirect**	**% Total**
Felipe Benjumea Llorente	0.059	-	0.059
Javier Benjumea Llorente	0.002	-	0.002
José Joaquín Abaurre Llorente	0.013	-	0.013
José Luis Aya Abaurre	0.061	-	0.061
José B. Terceiro Lomba	0.111	0.111	0.222
Ignacio de Polanco Moreno	-	-	-
Corporación Caixa Galicia, S.A.U.	0.001	-	0.001
Total	**0.247**	**0.111**	**0.358**

28.5. In the year 2003, fees of € 1,056 thousands were paid in relation to financial audit work on said year. In addition, € 315 thousands were paid to Audit Firms for other services.

From total fees, an amounting of € 700 thousand correspond to the main group auditor PricewaterhouseCoopers and the rest to other companies.

28.6. Included in Short-Term Investments and Cash at Bank and in hand, there are some deposits amounting to € 25,311 thousands as a counter-guarantee of certain obligations assumed by group companies during the normal course of business.

Note 29.- Information by Activity

The main figures of the Consolidated Balance Sheet at December 31, 2003 and the analytical Consolidated Profit and Loss Account for said year for each of the different activities carried on by Abengoa through its four Business Groups are set forth below.

These activities, which are described in Note 1 above, are as follows:

- Biofuels.
- Environmental Services.
- Information Technologies.
- Engineering and Industrial Construction.

	Biofuels	Environmental Services	Information Technologies	Engineering & Ind. Const.	Corporate	Adjustments on consolidation	Group Total
Assets							
Fixed assets	256,708	186,164	79,967	342,483	400,321	(346,374)	919,269
Goodwill	50,011	86,581	18,817	7,943	166,083	(10,060)	319,375
Deferred expenses	3,011	2,175	1,121	4,176	4,985	-	15,468
Current assets	183,371	194,199	208,333	476,683	701,670	(655,255)	1,109,001
Total	**493,101**	**469,119**	**308,238**	**831,285**	**1.273,059**	**(1,011,689)**	**2,363,113**

	Biofuels	Environmental Services	Information Technologies	Engineering & Ind. Const.	Corporate	Adjustments on consolidation	Group Total
Liabilities							
Shareholders' equity	152,913	171,586	60,690	70,330	270,504	(395,241)	330,782
External shareholders	2,869	9,709	846	21,860	38,516	(26,707)	47,093
Deferred income	32,037	10,403	490	28,778	6,874	(4,175)	74,407
Provision for contingen. & expenses	767	2,957	10	1,117	-	32,433	37,284
Financing w/r applied to Projects	85,087	7,242	7,931	169,423	-	-	269,683
Long-Term Creditors	79,811	63,605	28,477	28,486	500,173	(56,747)	643,805
Short-Term Creditors	139,617	203,617	209,794	511,291	456,992	(561,252	960,059
Total	**493,101**	**469,119**	**308,238**	**831,285**	**1,273,059**	**(1,011,689)**	**2,363,113**
Sales	**291,413**	**365,329**	**265,575**	**712,997**	**-**	**-**	**1,635,314**
EBITDA	**36,342**	**37,762**	**31,021**	**80,102**	**-**	**-**	**185,227**

The criteria applied to obtain the financial statements separated by activity are described below:

1. The data have been grouped by sectors using the sub-consolidated statements of each of the companies that head the Group's different businesses. In the case of Engineering and Industrial Construction, the balances are taken from the consolidated annual accounts of the company that heads this business, combined with the business sub-sector in the Latin American market, in respect of which there are no mutual shareholdings.

2. Corporate activity includes the assets and liabilities that are for general use and not distributed to the rest of the activities, being mainly on the parent company's balance sheet.

3. The Group also has ancillary activities, portfolio companies and companies engaged in property exploitation. The size of these activities is not sufficiently significant (less than 5%) to present separate information on them and, therefore, they are likewise integrated into the Corporate activity column.

4. In general, no sales or other transactions are carried out between the different activity segments, except in the case of transactions with the parent company, which are eliminated in the consolidation process and included in the column Adjustments on Consolidation

Note 30.- Environmental Information.

One of the 4 Business Groups into which Abengoa is structured concentrates its activity as supplier of environmental services, such a waste recycling, industrial cleaning and environmental engineering.

Befesa, the most important company in this Business Group, contributes assets of € 469,119 thousands, sales of € 365,329 thousands and attributable profits of € 8,369 thousands associated to the environmental activity to the Consolidated Financial Statements of Abengoa.

At the 2003 year end, Abengoa considered that it did not incur any environmental risks that required additional provision to be made.

One of Abengoa's objectives is for all its companies to hold Certificates for their Environmental Management Systems. The use of treatment techniques with preventive guarantees in respect of environment quality has been officially recognised through the environmental management certifications (ISO 9001, ISO 14001 and EMAS). As a consequence of the foregoing, at the end of the year 2003, 75% of the Abengoa companies had Quality Management Systems certified through ISO 9001. Likewise, 53% of the companies had Environmental Management Systems certified through ISO 14001.

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

Business Group	% Companies Certified under ISO 9001	% Companies Certified under ISO 14001
Information Technology	100%	90%
Engineering and Industrial Construction	71%	46%
Environmental Services	52%	59%
Bioenergy	25%	0%
Latin America	80%	30%

The Spanish companies of the Bioenergy Business Group, Ecocarburantes, S.A. and Bioetanol Galicia, S.A., are in the process of developing and implementing an integrated management model for Quality, Environment and Prevention of Risks at Work, with the objective of completing implementation of the system during the present year, in order to commence the certification procedures at the end of 2003 and obtain certification in 2004. The company High Plains (also belonging to the Bioenergy Business Group and located in the United States of America) is governed by local rules with greater influence in its sphere of production.

In 2002, two companies belonging to our Environmental Services Business Group obtained the Certificate of Verification, which demonstrates that the Environment Management System meets the requirements of the European Regulation on Eco-Management and Auditing (EMAS) and, therefore, three companies now hold said certificate and the adhesion of one of them to the EMAS has also been accepted.

Note 31.- Subsequent Events.

31.1. After the year end, Telvent GIT, S.A. has carried out two transactions related to its shareholding in Xfera Móviles, S.A. Firstly, it increased its shareholding from the 5.46% that it held at December 31, 2003, to 5.63%, as a consequence of the contents of an arbitration award requested by the founding shareholders in the year 2001, the conclusions of which were issued in January 2004. On the other hand, the company subscribed the capital increase approved by the General Shareholders' Meeting on December 15, 2003, which was formalised and paid up at the beginning of February 2004. The amounts paid for these two items were € 760 thousands and € 733 thousands, respectively. In addition, the company will assume the corresponding guarantees amounting to € 1,256 thousands.

31.2. Since 2003 year end there have been no other subsequent events in the consolidated companies which could be considered significant for the interpretation of the annual accounts or which could significantly affect either the individual companies or the group.

Note 32.- Order Book.

The breakdown of the Order Portfolio at December 31, 2003 by type of activity is as follows:

Activity	**Amount**
Traditional Activity	614,649
Turnkey Activity	308,390
Recurrent Activity	34,900
Total	**957,939**