## 3. Consolidated Financial Statements for the 2007 Financial Year

a) Consolidated Balance Sheet

b) Consolidated Income Statement

c) Consolidated Statement of Changes in Equity

d) Consolidated Cash Flows Statement

e) Notes to the Consolidated Financial Statements

f) Consolidated Management Report

2007 Financial Year

## a) Consolidated Balance Sheets at 31 December 2007 and 2006

## Consolidated Balance Sheets of Abengoa at December 31, 2007 and 2006

- Figures in thousands of euros -

| **Assets** | **Notes** | **31/12/2007** | **31/12/2006** |
|---|---|---|---|
| **A. Non-Current Assets** | | | |
| **I. Intangible Assets** | **6** | | |
| Goodwill | | 1 114 388 | 595 519 |
| Other intangible assets | | 136 602 | 42 133 |
| Provisions and depreciation | | (23 968) | (14 316) |
| | | **1.227.022** | **623.336** |
| **II. Tangible Fixed Assets** | **7** | | |
| Tangible fixed assets | | 1 360 801 | 996 074 |
| Provisions and depreciation | | (489 940) | (356 329) |
| | | **870.861** | **639.745** |
| **III. Fixed Assets in Projects** | **8** | | |
| Intangible assets | | 911 602 | 803 423 |
| Provisions and depreciation | | (50 338) | (23 863) |
| Tangible fixed assets | | 895 802 | 435 900 |
| Provisions and depreciation | | (118 927) | (68 553) |
| | | **1.638.139** | **1.146.907** |
| **IV. Financial Investments** | **9, 10, 11, 12, 15** | | |
| Investments in associate companies | | 50 145 | 52 602 |
| Financial assets available for sale | | 56 388 | 47 087 |
| Financial accounts receivables | | 118 791 | 45 481 |
| Derivative financial instruments | | 695 | 0 |
| Deferred tax assets | | 190 468 | 228 919 |
| | | **416.487** | **374.089** |
| **Total Non-Current Assets** | | **4.152.509** | **2.784.077** |
| **B. Current Assets** | | | |
| **I. Inventories** | **13** | **242.451** | **150.737** |
| **II. Clients and Other Receivables Accounts** | **14** | | |
| Trade receivables for sales and services | | 1 145 786 | 714 414 |
| Credits and other receivables | | 275 074 | 267 639 |
| | | **1.420.860** | **982.053** |
| **III. Financial Investments** | **10, 11, 12, 15** | | |
| Financial assets at fair value | | 0 | 77 742 |
| Financial assets available for sale | | 61 922 | 33 205 |
| Financial accounts receivables | | 410 438 | 340 010 |
| Derivative financial instruments | | 124 087 | 30 782 |
| | | **596.447** | **481.739** |
| **IV. Cash and Cash Equivalents** | **16** | **1.697.889** | **1.027.972** |
| **Total Current Assets** | | **3.957.647** | **2.642.501** |
| **Total Assets** | | **8.110.156** | **5.426.578** |

## Consolidated Balance Sheets of Abengoa at December 31, 2007 and 2006

- Figures in thousands of euros -

| Equity and Liabilities | Notes | 31/12/2007 | 31/12/2006 |
|---|---|---|---|
| **A. Capital and Reserves** | | | |
| **I. Share Capital** | 17 | 22.617 | 22.617 |
| **II. Parent Company Reserves** | 18 | 237.389 | 226.677 |
| **III. Other Reserves** | 19 | 24.361 | (79.716) |
| **IV. Translation Differences** | 20 | | |
| At fully or proportionally consolidated companies | | 13.199 | (10.143) |
| At companies consolidated by the equity method | | 2.195 | 2.865 |
| | | 15.394 | (7.278) |
| **V. Retained Earnings** | 21 | 317.227 | 227.805 |
| **B. Minority Interest** | 22 | 180.502 | 151.021 |
| **Total Equity** | | 797.490 | 541.126 |
| **C. Non-Current Liabilities** | | | |
| **I. Long-Term non-Recourse Financing (Project Financing)** | 23 | 1.186.002 | 796.068 |
| **II. Loans and Borrowing** | 24 | | |
| Bank loans | | 2.346.277 | 873.158 |
| Obligations and other loans | | 263.592 | 151.422 |
| Obligations under financial leasing | | 33.248 | 9.050 |
| | | 2.643.117 | 1.033.630 |
| **III. Provisions for Other Liabilities and Expenses** | 27 | 125.415 | 58.434 |
| **IV. Derivative Financial Instruments** | 12 | 9.769 | 88.389 |
| **V. Deferred Taxes Liabilities** | 26 | 139.180 | 86.372 |
| **VI. Employee Benefits** | 38 | 6.603 | 4.610 |
| **Total Non-Current Liabilities** | | 4.110.086 | 2.067.503 |
| **D. Current Liabilities** | | | |
| **I. Short-Term non-Recourse Financing (Project Financing)** | 23 | 503.161 | 457.802 |
| **II. Loans and Borrowings** | 24 | | |
| Bank loans | | 182.374 | 482.774 |
| Obligations and other loans | | 11.515 | 15.093 |
| Obligations under financial leasing | | 12.678 | 4.873 |
| | | 206.567 | 502.740 |
| **III. Suppliers and Other Trade Accounts Payables** | 25 | 2.319.449 | 1.660.881 |
| **IV. Current Tax Liabilities** | | 159.095 | 135.322 |
| **V. Derivative Financial Instruments** | 12 | 4.687 | 47.494 |
| **VI. Provisions for Other Liabilities and Charges** | | 9.621 | 13.710 |
| **Total Current Liabilities** | | 3.202.580 | 2.817.949 |
| **Total Shareholder's Equity and Liabilities** | | 8.110.156 | 5.426.578 |

## b) Consolidated Income Statement for the 2007 and 2006 Financial Years

**Consolidated Income Statement of Abengoa for the Years ended December 31, 2007 and 2006**

- Figures in thousands of euros -

| | Notes | 31/12/2007 | 31/12/2006 |
|---|---|---|---|
| Net turnover | | 3 214 465 | 2 677 186 |
| Change in inventories | | 42 118 | 2 541 |
| Other operating income | | 348 101 | 134 690 |
| Materials consumed | | (2 136 461) | (1 645 700) |
| Personnel expenses | | (518 699) | (402 719) |
| Depreciation and amortization expense | | (97 405) | (68 679) |
| Research and development costs | | (41 912) | (23 239) |
| Other operating expenses | | (523 869) | (454 908) |
| Other net income/expenses | | | |
| **I. Net Operating Profit** | **28, 29, 30, 31** | **286.338** | **219.172** |
| Financial income | | 22 469 | 24 430 |
| Financial charges | | (174 085) | (119 239) |
| Net Exchange Differences | | 18 657 | 8 283 |
| Other net financial income/expenses | | (7 530) | (5 330) |
| **II. Net Financial Loss** | **32, 33, 34** | **(140.489)** | **(91.856)** |
| **III. Participation in Profits/(Losses) of Associated Companies** | | **4.243** | **7.532** |
| **IV. Consolidated Profit before Tax** | | **150.092** | **134.848** |
| Corporate income tax | **26** | (14 273) | (13 345) |
| **V. Consolidated Profit after-Tax** | | **135.819** | **121.503** |
| Profit attributable to minority interests | **22** | (15 416) | (21 164) |
| **VI. Profit for the Year attributable to the Parent Company** | | **120.403** | **100.339** |
| Number of ordinary shares in circulation (thousands) | | 90 470 | 90 470 |
| **VII. Earnings per Share for the Year's Result** | **35** | **1,33** | **1,11** |

## c) Consolidated Statement of Changes in Equity

## Consolidated Statement of Changes in Equity of Abengoa for the Year ended December 31, 2007 and 2006

- Figures in thousands of euros -

| | Share Capital | Reserves Parent Company and Other Reserves | Accumulated Translation Difference | Accumulated Earnings | Minority Interest | Total |
|---|---|---|---|---|---|---|
| **A. Balance at 1 January 2006** | 22.617 | 206.320 | 27.455 | 138.704 | 131.095 | 526.191 |
| I. Gross Earnings at fair value: | | | | | | |
| Financial assets available for sale | 0 | 3.585 | 0 | 0 | 0 | 3.585 |
| | 0 | 3.585 | 0 | 0 | 0 | 3.585 |
| II. Gains/Losses on cash flow hedges | 0 | (105.072) | 0 | 0 | 0 | (105.072) |
| III. Translation differences | 0 | 0 | (34.733) | 0 | 0 | (34.733) |
| IV. Gross Income/Expenses recognised directly in Equity | 0 | (101.487) | (34.733) | 0 | 0 | (136.220) |
| Tax effect | 0 | 45.891 | 0 | 0 | 0 | 45.891 |
| V. Net Income/Expenses recognised directly in Equity | 0 | (55.596) | (34.733) | 0 | 0 | (90.329) |
| VI. Profit for the year | 0 | 0 | 0 | 100.339 | 21.164 | 121.503 |
| VII. Employee Stock Plan | 0 | (3.818) | 0 | 0 | 0 | (3.818) |
| VIII. Distribution of 2005 Profit | 0 | 55 | 0 | (13.778) | 0 | (13.723) |
| IX. Other Movements of Equity | 0 | 0 | 0 | 2.540 | (1.238) | 1.302 |
| **B. Balance at 31 December 2006** | 22.617 | 146.961 | (7.278) | 227.805 | 151.021 | 541.126 |
| **C. Balance at 1 January 2007** | 22.617 | 146.961 | (7.278) | 227.805 | 151.021 | 541.126 |
| I. Gross Earnings at fair value: | | | | | | |
| Financial assets available for sale | 0 | (4.169) | 0 | 0 | 0 | (4.169) |
| | 0 | (4.169) | 0 | 0 | 0 | (4.169) |
| II. Gains/Losses on cash flow hedge | 0 | 146.235 | 0 | 0 | 0 | 146.235 |
| III. Translation differences | 0 | 0 | 22.672 | 0 | 0 | 22.672 |
| IV. Gross Income/Expenses recognised directly in Equity | 0 | 142.066 | 22.672 | 0 | 0 | 164.738 |
| Tax effect | 0 | (34.701) | 0 | 0 | 0 | (34.701) |
| V. Net Income/Expenses recognised directly in Equity | 0 | 107.365 | 22.672 | 0 | 0 | 130.037 |
| VI. Profit for the year | 0 | 0 | 0 | 120.403 | 15.416 | 135.819 |
| VII. Employee Stock Plan | 0 | (3.288) | 0 | 0 | 0 | (3.288) |
| VIII. Distribution of 2006 Profit | 0 | 10.712 | 0 | (24.510) | 0 | (13.798) |
| IX. OtherMovements of Equity | 0 | 0 | 0 | (6.471) | 14.065 | 7.594 |
| **D. Balance at 31 December 2007** | 22.617 | 261.750 | 15.394 | 317.227 | 180.502 | 797.490 |

## d) Consolidated Cash Flow Statement

## Consolidated Cash Flow Statement of Abengoa for the Years ended December 31, 2007 and 2006

- Figures in thousands of euros -

| | 31/12/2007 | 31/12/2006 |
|---|---|---|
| **Gross Cash Flows from Operating Activities from Business Units (Note 28)** | **452.367** | **287.851** |
| Financial results, depreciations, taxes and own work done for Fixed Assets | (316.548) | (166.348) |
| **I. Consolidated profit after-tax** | **135.819** | **121.503** |
| Adjustments to the profit: | | |
| Depreciations and provisions | 147.034 | 68.679 |
| Profit/loss through sale of tangible assets | 475 | 0 |
| Profit/loss through sale of shares | 276 | 0 |
| Result in investments available for sale | 0 | (1.506) |
| Results of financial assets at fair value | 0 | (16.445) |
| Results of derivative financial instruments | 3.066 | (4.551) |
| Shares in profits/losses of associated companies | (4.243) | (7.532) |
| Taxes | 14.273 | 13.345 |
| Other non-monetary items | 16.445 | 14.229 |
| | **313.145** | **187.722** |
| **II. Cash generated by operations** | | |
| Inventories | (33.929) | (35.531) |
| Clients and other receivables | (416.203) | (496.329) |
| Suppliers and other payable accounts | 617.076 | 636.518 |
| Other current assets/liabilities | (18.866) | (46.238) |
| **III. Variations in working capital** | **148.078** | **58.420** |
| **A. Net Cash Flows from Operating Activities** | **461.223** | **246.142** |
| Companies in the group, multigroup and associate companies | (8.139) | 0 |
| Tangible fixed assets | (722.114) | (261.598) |
| Intangible assets | (625.701) | (656.656) |
| Other assets | 55.382 | (40.728) |
| Translation difference and perimeter variation effect | 0 | 0 |
| **I. Investments** | **(1.300.572)** | **(958.972)** |
| Companies in the group, multigroup and associate companies | 18.015 | 0 |
| Tangible fixed assets | 23.774 | 1.600 |
| Intangible assets | 67.299 | 37.110 |
| Other assets | 13.041 | 21.861 |
| Translation difference and perimeter variation effect | 14.065 | 21.164 |
| **II. Dispposals** | **136.194** | **81.735** |
| **B. Net Cash Flows from Investment Activities** | **(1.164.378)** | **(877.237)** |
| Income from outside resources | 1.547.791 | 1.434.565 |
| Repayment from outside resources | (160.921) | (197.141) |
| Dividends paid | (24.510) | (13.778) |
| Other finance activities | 10.712 | 55 |
| **C. Net Cash Flows from Finance Activities** | **1.373.072** | **1.223.701** |
| **Net Increase/Decrease of Cash and Equivalents** | **669.917** | **592.606** |
| Cash or equivalent at the beginning of the year | 1.027.972 | 435.366 |
| **Cash in Banks at the Close of the Year** | **1.697.889** | **1.027.972** |

## e) Notes to the Consolidated Financial Statements for the 2007 Financial Year

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## Notes to the Consolidated Financial Statements for the Financial Year Ended at 31 December 2007

### Note 1.- General Information.

1.1. General Information.

Abengoa, S.A. is an industrial and technology Company which, at the end of the 2007 financial year, hold a group (hereinafter called Abengoa or group, without distinction) comprising 480 companies: the parent Company itself, 434 subsidiary companies, 20 associate companies and 25 Joint Ventures. Moreover, the various companies in the group take part in 329 Temporary Consortiums. In addition, the group companies hold interests of less than 20% in other companies.

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

The corporate purpose is laid down in article 3 of the articles of association. Within the varied range of activities that make up the corporate objects, as an applied engineering and equipment company, Abengoa provides comprehensive solutions in the Energy, Telecommunications, Transport, Water, Environment, Industry and Services Sectors.

1.2. Activities.

Abengoa is a technology company which applies innovative solutions for sustainable development in the infrastructure, environment and energy sectors, providing long-term value to our shareholders through management characterised by the fostering of a spirit of enterprise, social responsibility, transparency and thoroughness in management.

The rational use of natural resources and the concern for future generations being able to use them as we have marks the direction in which Abengoa is headed. Indeed, what we call sustainable development is not, for, Abengoa, exclusively a case of environmental conservation and making rational use of natural resources, but, above and beyond this vision, one of raising our commitment to social and human issues.

At Abengoa we have come to understand that our traditional engineering activity is none other than a valuable tool by means of which we can build a more sustainable world. Therefore, if it were necessary to define us in a nutshell, it would be "from solar power, to biomass, waste, information technology and energy, Abengoa applies technological and innovative solutions for sustainable development".

Currently Abengoa has a presence in over 70 countries, and is a growing force in international business, employing highly-qualified staff. With this structure, the aim to achieve the following:

- Develop two leaders in renewable energy: Abengoa Solar and Abengoa Bioenergía.
- Develop a leader in Environmental Services: Befesa
- Develop two critical suppliers in the sustainable development industry: Abeinsa and Telvent.
- Generate new business in sustainable development.
- Globalise business in key areas: the USA, Asia and Europe.
- Improve processes and tools common to Abengoa as a source of competitive advantage.

Abengoa is organised into five business groups, whose activities are as follows:

1. Solar: Using sunlight we generate electricity thermo-electrically and using photovoltaic methods.

   The head of the group is Abengoa Solar, whose objective is to develop and sell technology, as well as the design, promotion, financial closing, construction and use of electricity power plants which take advantage of the sun as a primary source of energy. It has the knowledge and technology to operate thermoelectric solar plants: central receiver systems, parabolic cylinder collector and parabolic disc, as well as photovoltaic solar plants, with and without concentration.

   Abengoa Solar is the national leader in electricity generation plants which use solar power:

   - The only thermoelectric tower in commercial operation (PS10).
   - Construction in Algeria of the world's first ever hybrid technology plant (ISCC).
   - Application of solar power to:
     - The generation of clean and distributed power. Portfolio of hundreds of MW under development globally.
     - The creation of jobs in rural areas, contributing to the economic development of regions in which we operate.

2. Bioenergy: We use biomass to produce ecological biofuels and animal feed.

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

   Abengoa Bioenergía is the first European producer of bioethanol and one of the market leaders in the USA and Brazil:

   - The only bioethanol producer in the three key geographical areas: The USA, Europe and Brazil.

   - Ambitious research plan: US Department of Energy (€ 87.5 millions) and European Union (€ 33.5 millions) research awards.

   - Application of bioenergy to:

     - The generation of clean and environmentally-friendly biofuels, which considerably reduce pollutant emissions.

     - The creation of alternatives to fossil fuels in transport, thus guaranteeing development, even once the latter are depleted.

3. Environmental Services: We use waste to produce new materials, recycling it, we filter and desalinate water.

   The main company is Befesa Medio Ambiente, which focuses its activities on the provision of Environmental Services to the industry and on construction of infrastructures, carrying out recycling of aluminium waste, recycling of zinc, industrial waste management, and water management and generation.

   Befesa is the international leader in industrial waste treatment, as well as in water generation and management:

   - European leader in recycling scale from steel production (over 700,000 tons treated) and in recycling aluminium waste (361,000 tons treated).

   - Spanish leader in water treatment and desalination, and one of the leading companies in the international marketplace.

   - Leader in the Iberian Peninsula in integrated management of industrial waste (1,280,000 tons treated) and industrial cleaning.

- Application of technology to:

  - Reduction in energy consumption by way of our recycling activities, thereby avoiding the emission of over 2.5 million tons of CO2 each year.

  - Desalination of 1.1 million cubic metres of water each day, enabling supply to 4.8 million people.

  - Management of industrial waste, which would have a negative impact on the environment if it were not properly treated.

4. Information Technologies: We use information technology to manage operational and business processes safely and efficiently.

   Telvent, the parent company involved in Abengoa business as far as information technology is concerned, is a specialist in products, services and high added-value integrated solutions in terms of energy, transport, the environment and public authorities, as well as Global IT Services. Its innovative technology and proven experience help to efficiently and securely manage the operational and business processes of leading world companies.

   The international leader in development of information technology for a safe and sustainable world.

- Management of transportation and distribution of over 140,000 GWh of electricity each year, monitoring of journeys made by over 170 million drivers each day, as well as management of over 150 airports worldwide.

- The only Spanish company listed on Nasdaq, with annual growth in the past four years of 50% in net profits.

- Application of information technology to:

  - Reducing emissions via energy efficiency and optimisation of transport.

  - Increase in safety of the operating of critical infrastructures, in the exchanging of information and in border control.

5. Industrial Construction and Engineering: We use engineering to construct and operate conventional and renewable electricity power stations, electricity transmission systems and industrial infrastructures.

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

Abeinsa is the leader in Spain and Spanish-speaking countries in Latin America in engineering and industrial construction projects:

- It is classified by the Engineering News-Record (ENR) as the second largest international construction company in energy infrastructures.
- It is the leader in hydrogen technology, with pioneering R&D projects in the area of clean electricity generation by means of fuel cells.
- Application of technology to:
    - The design and construction of facilities and efficient power lines which contribute to reducing energy consumption.
    - The design and construction of renewable power stations, enabling the generation of thousands of MWh of clean energy.

**Note 2.- Summary of Significant Accounting Policies.**

The following is a description of the significant accounting policies applied during the preparation of these Consolidated Financial Statements.

2.1. Basis of Presentation.

The Consolidated Financial Statements at 31 December 2007 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for use in the European Union and approved by the regulations of the European commission and in force at 31 December.

Unless indicated otherwise, the following policies have been applied constantly to all the financial years included in these Consolidated Financial Statements.

The data of Abengoa's transition to IFRS is 1 January 2004, when the company prepared its opening balance in accordance with IFRS on the said date. Up to the financial year ending on 31 December 2004, inclusive, the Consolidated Financial Statements were prepared in accordance with the provisions laid down in current mercantile legislation and with the standards laid down in the General Accounting Plan and in Royal Decree 1815/1991, which adopt the standards for the preparation of Consolidated Financial Statements (generally accepted accounting principles (GAAP)) Given that these standards differ in certain areas from the criteria laid down in IFRS, Abengoa’s management has restated the figures for 2004 in order to present comparative information in accordance with IFRS.

The Consolidated Financial Statements under the historic cost convention, modified by the restatement of certain assets in accordance with IFRS 1 and by the cases laid down by the IFRS in which certain assets, are valued at their fair value.

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

The figures contained in the instruments that make up the Consolidated Financial Statements (Balance Sheet, Income Statement, Statement of Changes in Equity, Statement of Cash Flows and these Notes) are given in thousands of €.

Unless indicated otherwise, the percentage of the holding in the share capital of the companies includes both the direct and indirect holding corresponding to the companies in the group that are direct shareholders.

2.2. Consolidation Principles.

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

Appendix I and VI to these notes contain a breakdown of the identification data of the 434 and 273 subsidiary companies included in the consolidation perimeter in the 2007 and 2006 financial years, respectively, using the full consolidation method.

Appendix II and VII to these notes contain a breakdown of the identification data of the 20 and 26 associate companies included in the consolidation perimeter in the 2007 and 2006 financial years, respectively, using the equity method.

Appendix III and VIII to these notes contain a breakdown of the identification data of the 354 and 279 Joint Ventures included in the consolidation perimeter in the 2007 and 2006 financial years, respectively, using the proportional consolidation method.

a) Subsidiary companies.

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

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

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

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

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

Appendix I and VI to this report identify the 184 and 87 Companies / Entities which in the 2007 and 2006 financial years, respectively, were included in the consolidation perimeter and have been consolidated using the full consolidation method.

The inclusion in the perimeter of the aforementioned companies has not, except the acquisition of Dedini group in Brazil, detailed in Note 6.4 of this Report, significantly affected the global consolidated figures as of December 2007.

The following is a list of the Company / Entities which, during the 2007 and 2006 financial years, left the consolidation perimeter (full consolidation):

| Company Name | Year of Exit | % Holding | Reason |
|---|---|---|---|
| Abensur Trading Company, S.A. | 2007 | 100.00 | Wind up of the company |
| BF Tiver, S.L. | 2007 | 94.00 | Wind up of the company |
| BUS Logistic Services GMBH | 2007 | 51.00 | Wind up of the company |
| Líneas Altamira, S.A. de C.V. | 2007 | 100.00 | Wind up of the company |
| Líneas Baja California Sur, S.A. de C.V. | 2007 | 50.00 | Wind up of the company |
| Rernetal Trading Investment, AG | 2007 | 100.00 | Wind up of the company |
| Subestaciones 611 Baja California, S.A. de C.V. | 2007 | 100.00 | Wind up of the company |
| Subestaciones 615, S.A. de C.V. | 2007 | 100.00 | Wind up of the company |
| Abener Garabito Energía, S.A. | 2006 | 100.0 | Wind up of the company |
| Alianza Befesa Egmasa, S.L. (Albega) | 2006 | 50.0 | Merged by Absorption by Befesa GRI, S.L. |
| Alto Bello, S.A. | 2006 | 100.0 | Wind up of the company |
| Befesa Técnicas del Suelo, S.A. | 2006 | 100.0 | Merged Absorption by Befesa GRI, S.L. |
| Befesa Tratamientos y Limpiezas Industriales, S.L. | 2006 | 100.0 | Merged Absorption by Befesa GRI, S.L. |
| Complejo Medioambiental de Navarra, S.A. | 2006 | 100.0 | Merged Absorption by Befesa GRI, S.L. |
| ETBE Huelva, S.A. | 2006 | 90.0 | Sale of the company |
| Gestión de Residuos del Cerrato, S.L. | 2006 | 100.0 | Merged Absorption by Befesa GRI, S.L. |
| L.T. 43 Río Bravo, S.A. de C.V. | 2006 | 100.0 | Wind up of the company |
| L.T. 707 Norte Sur, S.A. de C.V. | 2006 | 100.0 | Wind up of the company |
| Peninsular 615, S.A. de C.V. | 2006 | 100.0 | Wind up of the company |
| S.C.B., Sociedade Combustiveis Bioquimicos, S.A. | 2006 | 100.0 | Sale of the company |
| Sainsel Sistemas Navales, S.A. | 2006 | 50.0 | Sale of the company |
| Transmisión 610 Norte, S.A. de C.V. | 2006 | 100.0 | Wind up of the company |

The contribution in terms of sales and results by sold companies no longer included in the consolidation perimeter for the consolidated results in the 2007 fiscal year is not significant (€ 8,604 and € 1,553 thousands (loss) in 2006).

The contribution of the rest of the companies which, for whatever other reason, no longer form part of the consolidation perimeter, is virtually nil.

b) Associate companies.

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

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

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

Appendix II and VII to this report identify the 6 and 1 Companies / Entities which in the 2007 and 2006 financial years, respectively, were incorporated into the Consolidation Perimeter and have been consolidated using the Equity Method.

The following is a list of the Companies / Entities which, during the 2007 and 2006 financial years, left the Consolidation Perimeter (Equity Method):

| Company Name | Year of Exit | % Holding | Reason |
|---|---|---|---|
| Abalnor T&D | 2007 | 25.00 | Wind up of the company |
| Consorcio Teyma M&C | 2007 | 49.90 | Wind up of the company |
| Geida Beni Saf, S.L. | 2007 | 50.00 | Wind up of the company |
| Líneas y Subestaciones 506, S.A. de C.V. | 2007 | 25.00 | Wind up of the company |
| Líneas y Subestaciones de México, S.A. de C.V. | 2007 | 33.30 | Wind up of the company |
| Subestaciones 410, S.A. de C.V. | 2007 | 33.30 | Wind up of the company |
| Subestaciones y Líneas Bajío Oriental, S.A. de C.V. | 2007 | 33.30 | Wind up of the company |
| Subestaciones y Líneas de México, S.A. de C.V. | 2007 | 33.30 | Wind up of the company |
| Tenedora de Acciones de Redesur, S.A. | 2007 | 33.30 | Wind up of the company |
| Aguas del Tunari, S.A. | 2006 | 25.00 | Wind up of the company |
| Residuos Ind. de la Madera de Córdoba, S.A. | 2006 | 49.90 | Change percentage of participation |
| TSMC Ing. y Construcción | 2006 | 33.30 | Wind up of the company |
| Tuxpan T&D, S.A. de C.V. | 2006 | 33.30 | Wind up of the company |

Without significant effects on the results regarding the consolidated figures for the 2007 and 2006 financial years.

c) Joint business.

The consideration of joint business extends to those situations where the companies in which the group has a minority stake are managed jointly by the dominant company and by third parties not linked to the group on the basis of an agreement between the parts, without either party having a greater degree of control than the other.

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

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

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

d) Joint Ventures.

A Joint Venture or Temporary Association of Companies (UTE in its Spanish acronym) is deemed to be a collaboration agreement between companies for a certain amount of time, whether determined in advance or not, without the creation of a separate legal entity, for the performance or execution of works, services or supplies.

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

The amount of the operating funds provided by the companies of the Group to the 160 Joint Ventures excluded from the consolidation perimeter totals € 376 thousands (€ 473 thousands in 2006) and is included in the Financial Investments heading of the consolidated balance sheet. The net business figure proportional to the shareholding represents 0.46% (1.36% in 2006) of the consolidated net business figure. The aggregate net profits proportional to the shareholding totals € 456 thousands (€ 368 thousands in 2006).

During the financial year, 119 Joint Ventures that have begun their activity and/or been involved in significant activity during the year 2007 have been incorporated into the perimeter. These Joint Ventures have contributed € 258,247 thousands (€ 24,434 thousands in 2006) to the consolidated net business figure for the year.

During the financial year, 52 Joint Ventures have left the perimeter due to their ceasing activities or their activities becoming insignificant. Their net business figures, proportional to the shareholding, for the 2006 financial year totalled € 38,890 thousands (€ 34,727 thousands in 2005).

2.3. Financial information by segments.

A business segment is a group of assets and transactions responsible for supplying products or services subject to risks and performance levels different to those of other business segments. A geographical segment is responsible for providing products or services within a specific economic environment subject to risks and performance levels different to those of other segments that operate in other economic environments (See Note 5).

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

2.4. Tangible fixed assets.

2.4.1. Presentation.

For the purposes of presenting the Financial Statements, the tangible fixed assets are separated into the following headings:

a) Tangible Fixed Assets.
b) Fixed Assets in Projects.

a) Tangible Fixed Assets.

They correspond to those tangible assets or projects financed via own assets or via recourse financing formulas.

b) Fixed Assets in Projects.

They correspond to those company tangible assets or projects financed via the Non-recourse financing applied to a projects formula. (For further details, see Notes 2.4.3. and 8).

Additionally, and within fixed assets in projects, there exist the following three types of Fixed Assets:

b.1) Intangible Assets: fixed assets assigned to companies under the provision system which, using as guide on how No 12 of IFRIC is interpreted, are considered intangible assets.

b.2) Financial Accounts Receivable: fixed assets assigned to companies under the provision system which, using as guide on how No 12 of IFRIC is interpreted, are considered financial accounts receivable.

b.3) Tangible Assets: all other tangible assets not assignable to any of the previous categories.

Conversely, there are different intangible assets owned to companies financed via Project Finance formula, which are classified for Abengoa presentation purposes by the Autonomous Communities as Intangible Assets under the heading Fixed Assets in Projects (See Notes 8 and 23).

Once the companies cancel their non-recourse financing, assets associated with the aforementioned company will be reclassified, depending on whether they are tangible fixed assets, intangible assets or financial investments.

2.4.2. Valuation.

In accordance with the IFRS 1, as for the preparation of the first Consolidated Financial Statements at 31 December 2005, the amortised cost of the tangible fixed assets corresponds to the book value of the fixed assets in accordance with Spanish standards (cost) as a result of the Management of Abengoa assuming the fact that the revaluations of assets that have taken place in accordance with the regulations in force in the countries in which the companies belonging to Abengoa reflect their market value in a more approximate way. In addition, in accordance with the aforementioned standard, certain elements of fixed assets have been revalued (basically land and buildings).

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

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

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

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

In construction projects carried out by the Group, financial expenses accrued during the construction phase are considered to be the highest, both by specific financing secured for each project undertaken, and by all other goodwill, pursuant to the procedures provided for by the accounting guidelines. The aforementioned capitalisation of financial expenses ends at such time as the initially anticipated construction process stops or is extended as a result of delays or inefficiency.

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

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

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

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

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

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

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

2.4.3. Fixed assets in projects.

Stakes in a range of companies, whose purpose is generally development of an integrated product and whose finance formula is carried out by means of “Project Finance” (Non-Recourse Financing applied to a Project) are included within the consolidation perimeter.

Development of the aforementioned integrated products usually consists of design, construction, financing, use and maintenance of an owned or awarded project.

The construction of these projects is carried out by the company in question and financed by a medium-term bridging loan (generally around 2 years) and then by long-term financing known as "Project Finance" (No-Recourse Financing Applied to Project).

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

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

The no-Recourse Financing Applied to Projects can have the following as usual guarantees:

- Pledge of the shares of the developer company awarded by the shareholders of the said company.
- Assignment of collection rights.
- Limitations on the disposal of the assets of the project.
- Fulfilment of debt coverage ratios.
- Subordination of the payment of interest and dividends to shareholders providing that these ratios are achieved.

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

2.5. Intangible assets.

a) Goodwill.

The goodwill represents the excess of the acquisition cost over the fair value of the group's shareholding in the identifiable net assets of the subsidiary/associate company acquired on the date of acquisition. The goodwill related to the acquisitions of subsidiary companies is included in intangible assets. The goodwill related to the acquisitions of associate companies is included in investments in associate companies.

Goodwill is verified annually for impairment losses and is taken to cost less accumulated impairment losses (See Note 2.7). Losses due to impairment of goodwill are not reverted. The profit or loss for the sale of an entity includes the book amount of the goodwill related to the sold entity.

In order to include these amounts in the verifications of impairment losses, the goodwill is allocated to the cash generation units (CGU). They are assigned to those units or groups of units generating cash that are expected to benefit from the combination of businesses in which the goodwill arises.

Currently, the gross cash flow units of Abengoa's most significant goodwill's has been allocated to similar productive assets based on their similarity

b) Computer software.

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

The costs directly related to the production of unique and identifiable computer software that can be controlled by the Group, and that are likely to generate economic benefits in excess of their costs over a period of more than one year, are posted as intangible assets.

c) Research and development.

Research expenses are recognised as expenses corresponding to the financial year in which they occur, where there is an individualised list of each specific project.

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

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

d) Emission Rights.

This heading covers emission rights for greenhouse gases held by different group companies on the market. Acquired emission rights are valued at their acquisition cost, being taken off the balance sheet due to their transfer included in the National Plan for assignment of emission rights .

The appropriate tests for impairment of rights is carried out to determine whether the acquisition price of rights is higher than is reasonable. Once their value has been corrected, if the market price of the rights recovers, a loss due to impairment could be reversed via the profit account, but in no cases above the original cost of emission rights acquired from third parties.

As emissions are released into the atmosphere, the emitting company will record a provision depending on the weight in tons of CO2 emitted valued at average purchase prices, and those emissions produced during the period not covered at the closing date, a provision will be recorded at the price on the aforementioned date.

2.6. Interest expense.

Interest expense incurred in the construction of any qualifying asset are capitalised during the period required to complete and prepare the asset for the appropriate use (at Abengoa, qualified assets are defined as those whose construction or production is greater than one year).

In this sense, indicate that they are considered capitalisable whenever it is likely that they generate future profit for the company and that they may be sufficiently reliably valued.

Other interest expenses are recorded as expenses for the financial year in which they are incurred. In accordance with the aforementioned, amounts capitalised for the financial year 2007 was € 32,916 thousands.

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

2.7. Not financial asset impairment losses.

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

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

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

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

b) As part of the review of all its non-current assets, Abengoa has carried out an exercise of valuation of all the infrastructure concession projects in which it participates through its different business groups, using the discounted cash flow method at a discount rate that takes into account the characteristics of the country, the business division and the specific characteristics of each project.

The chosen discount rate is used to discount all future flows, starting on the date of the valuation (31 December 2007). The basis for the determination of the cash flows is the most up-to-date available business finance model, which is used as the basis for the strategic planning of each one of the businesses. This model constitutes the best estimation of all the project’s cash flows, as it was used as the basis for the non-recourse financing of the project.

The market values were estimated in collaboration with an independent expert.

Abengoa is participating in different projects as concession holder within the sectors of electricity transfer, desalination, thermal solar energy and other infrastructures carried out in Spain, Brazil, Algeria, Chile, India and Peru.

Once the current value of the cash flows, the book value of the assets and the value of any commitments pending have been deducted, Abengoa has tacit capital gains of approximately 347 M€.

For these purposes, only the projects in progress or with closed long-term financing in which construction has commenced have been taken into account.

2.8. Financial investments.

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

a) Financial assets at fair value though profit and loss.

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

b) Loans and accounts receivable.

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

c) Investments held to maturity.

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

d) Financial assets available for sale.

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

The interest on instruments available for sale, calculated using the effective exchange-rate method, is recorded in the results account under "other income". The dividends on net asset instruments available for sale are recorded in the results account as “other income” when the Group’s right to receive the payment has been established.

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

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

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

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

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

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

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

2.9. Accounting for derivatives and hedging transactions.

The group's activities expose it fundamentally to financial risks resulting from variations in exchange rates, interest rates and changes in the fair values of certain assets and supplies (mainly zinc, aluminium, grain, ethanol and gas). To cover these exposures, Abengoa uses interest options future currency contracts, of interest rates and future contracts on the projects mentioned. It does not use derivative financial instruments for speculative purposes.

The hedging derivatives are recognised at the beginning of the contract by their fair value and the said value is subsequently adjusted. The method for recording the resulting profit or loss into the books depends on whether or not the derivative is classed as a hedging instrument and on the nature of the item covered. In accordance with the above, there can be 3 types of derivatives:

a) Hedging of the fair value of recognised assets or liabilities or a firm commitment (hedging of the fair value);

b) Cover for scheduled transactions (hedging of cash flows);

c) Hedging of a net investment in transactions abroad.

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

Note 12 includes information about the fair values of various derivatives used in hedging transactions. Note 19 shows the movements in the hedge fund included in equity.

a) Fair value hedging.

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

b) Cash flow hedging.

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

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

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

c) Net investment hedging.

At present, there is not net investment hedging in transactions abroad.

The total reasonable value of hedges is classified as a non-current asset or liability if the time remaining until expiry of the item covered is greater than 12 months and as a current asset or liability if the item covered expires in less than 12 months. Negotiable derivatives are classified as a current asset or liability.

The changes in the fair value of any derivative not classified for hedge accounting are recognised immediately in the income statement.

2.10. Estimation of the fair value.

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

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

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

2.11. Inventories.

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

Cost of the inventories includes transfers from equity of gains or losses arising from cash flow hedging transactions related to inventory sale and purchase transactions, as well as to operations in foreign currency.

2.12. Carbon emission credits.

Different Abengoa companies carry out projects in order to reduce CO2 emissions, by means of involvement in Clean Development Mechanism (CDM) and Joint Action (JA) projects, with those obtaining Carbon Emission Credits (CER) and Emission Reduction Units (ERU) respectively. CDMs are projects for developing countries which are not obliged to comply with reduced emissions, while JAs are aimed at developing countries which are obliged to comply with reduced emissions. Both projects are developed in two phases:

1. Development phase, which in turn includes the following stages:

   - Signing of the ERPA (Emission Reduction Purchase Agreement) agreement, which has associated expenses.

   - Development of the PDD (Project Design Document).

   - A company is hired which issues a certificate regarding the project being carried and it is submitted to the United Nations where it is recorded in a database.

2. Confirmation and reduction of emissions phase whereby each year confirmation is carried out of the lowest CO2 emissions and, following the aforementioned confirmation, the company receives the appropriate Carbon Emission Credits (CER) which are recorded in the National Register of Emission Rights (RENADE).

In addition, there are stakes in Carbon Funds aimed at financing the purchase of emissions of projects which contribute to reducing emissions of greenhouse gases in developing countries and in transitional economies, via Clean Development and Joint Application Mechanisms, the phases of which have already been mentioned. Some Abengoa companies are involved in the aforementioned Carbon Funds, managed by a Management Company, which uses proceeds from the Fund for purchasing Reductions in Emissions from CDM and JA projects.

The company involved in the Fund makes payment for a range of items (involvement commission, advances and purchase of CER). The cost of involvement is determined from the beginning, on the basis of the disbursement agreement for purchasing Carbon Emission Credits (CER), although the aforementioned amount will be disbursed throughout the lifetime of the Fund. The CER price is set for each ERPA. Depending on the percentage of involvement and the price set, a CER number will be received for those obtained by the Fund in each project.

In both cases, both involvement in CDM and AJ projects, and in carbon funds, the CER are entered into the accounts as stock of the company receiving them, including as a greater value than this stock, all expenses which the company has incurred in obtaining it.

2.13. Clients and other trade accounts receivable.

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

From client balances and other current accounts receivable, factored balances are then write-off, as long as all conditions are met as shown in IAS 39 for being removed from the Assets accounts in the Balance sheet (Please see Note 3.b).

The existence of considerable financial difficulties on the part of the debtor, the likelihood that the debtor will enter bankruptcy or financial reorganisation and a failure to pay or delays in payment are considered indicators that the account receivable has deteriorated.

When an account receivable is uncollectible, it is regularised against the provision for accounts receivable account. The subsequent recovery of amounts previously written off is recorded as credit items under “sales and marketing costs”.

2.14. Cash and cash equivalents.

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

2.15. Parent company shares.

Parent company shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are presented in the net assets as a deduction of the revenue obtained, net of taxes. Any amount received from the sale of own shares, net of those incremental costs, is included in the net assets attributable to the shareholders of the Company.

2.16. Grants.

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

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

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

Operations relating to long-term balances payable to official entities for reimbursement of subsidised, interest-free loans issued for specific projects, are not expressly regulated, and it is therefore applicable to deem the aforementioned loans to be public aid, as indicated in paragraph 37 of IAS 20.

2.17. Transactions and minority stockholdings.

The Group applies the policy of considering transactions with minority stockholders as arm's length transactions with companies outside the Group. The disposal of minority stockholdings entails profits and/or losses that are reflected on the operating statement for the Group. The acquisition of minority stockholdings results in goodwill, i.e. the difference between the price paid and the corresponding proportion of the book value of the dependent company's net assets (by application of the Parent Company Model).

2.18. Borrowings.

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

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

2.19. Deferred taxes.

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

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

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

As of 1/01/07, a change in guidelines was introduced in Spain on Company Tax relating to the rate of encumbrance, whereby for the 2007 tax year, the encumbrance rate was set at 32.5% and in 2008 it has been set at 30%.

In accordance with the aforementioned, all Spanish companies (excluding companies headquartered in the Basque Country) have applied their tax on companies for the 2007 financial year, applying a rate of encumbrance of 32.5%. Companies with deferred taxes have adjusted their amounts to the new rate, which will be applied in 2008 (30%). Companies with headquarters in the Basque Country must calculate tax on companies for 2007 applying a rate of 28% and, in addition, they must adjust deferred taxes to the aforementioned rate.

As a general criterion, the group does not recognise any assets or liabilities of a fiscal nature due to the initial recognition of the consolidated goodwill arising from the acquisition of a company.

The accounting to follow for future financial years will be the acknowledgement of the appropriate deferred-tax liabilities in accordance with temporary differences arising between the book value for the aforementioned goodwill and its tax rate, once its contribution to depreciation as a deductible expense has been taken into account, in determining the appropriate tax on financial year profit.

2.20. Employee benefits.

Certain companies in the group have entered into a series of share-based obligations vis-à-vis incentive programmes with employees and managers (Abengoa Bioenergía, S.A. and Telvent GIT, S.A.). These programmes are linked to the achievement of management goals in the coming years. When there is no active market for the shares associated with a programme, the proportional part of the personnel expense is reflected by reference to the buyback value stipulated in the said programmes. In the case of programmes where there is a market value for the shares, the expense is acknowledged for the aliquot part of the financial asset's reasonable value on the date of execution. In any case, the effect of these plans on Abengoa's annual accounts is not significant.

In addition, during the financial year, Abengoa, S.A. has a Share Purchase Plan for Executives of the group, approved by the Board of Directors and the Extraordinary General Meeting of Shareholders of 16 October 2005, with the following basic terms:

- For: Up to 122 Directors of Abengoa (business group directors, business unit directors, technical managers and R&D&i managers and corporate services managers) belonging to all its subsidiaries and business areas, present or future, who voluntarily wish to take part in the plan. The plan will not include any member of the Board of Directors of Abengoa. The Plan has not been extended to any member of the Board of Directors of Abengoa. As with previous ones, it is a plan related to the fulfilment of management objectives.

- Share volume: Up to 3,200,000 shares of Abengoa, representing 3.53% of the Company's share capital.

- Those benefiting from the Plan have been granted a bank loan for the purchase, at market value, of Abengoa shares already issued and in circulation, in accordance with the Stock Market Act, with the guarantee of Abengoa and excluding personal liability, for the sum of € 87 millions (including expenses, commissions and interests). The redemption date of this loan is 7 August 2011. The Plan establishes certain requirements on each executive to meet individual annual objectives, as well as continuance in the group.

  Based on the specific conditions of the Plan, the operation is considered a transaction with payment in shares, settled in cash based on IFRS 2, by means of which the company acquires the services provided by the executives, incurring a liability for an amount based on the value of the shares.

  The fair value of the executive services received in exchange for the granting of the option is recognised as a personnel expense. The total amount charged to expenses during the accrual period is determined by reference to the fair value of a hypothetical option to sell ("put") granted by the company to the executive, excluding the effect of the accrual conditions that are not market conditions, and included in the hypotheses on the number of options that it is expected will become exercisable. In this regard, the number of options it is expected will become exercisable is considered in the calculation. At close of each financial year, the company revises the estimation of the number of options it is expected will become exercisable and recognises the impact of this revision of the original estimates, where appropriate, in the results account.

The fair value of the options granted during the financial year, determined in accordance with the Black-Scholes valuation model, was € 13,455 thousands. The main data entered into the model were the price of the share, an estimated return per dividend, an expected lifetime of the option of 5 years, an annual interest rate and a volatility of the market of the share.

On the other hand, on the 24 of July 2006 and the 11 of December 2006, the Board of Directors approved an Extraordinary Variable Remuneration Plan for Executives (Plan Two), at the suggestion of the Remunerations and Appointments Committee. The 190 beneficiaries of this Plan will receive a total of € 51,630 thousands over five financial years, 2007 to 2011, on the condition that the personal objectives established in the Strategic Plan are met and that they remain in the company for this period, among others.

In addition to the above, and given that the company B.U.S. Group AB was acquired after the implementation of that plan but very close in time, on the 22 October of 2007, the Board of Directors approved the incorporation into the Plan of the managerial team of that company, composed of 10 people, in the same conditions as those established for all other beneficiaries and for a total amount of € 2,520 thousands.

The variable compensation plan accounting treatment is annually expensed for the rested amounts, based on the consolidated percentage objectives.

2.21. Provisions.

Provisions are recorded when:

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

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

Contingent liabilities are not posted to the consolidated annual accounts but information is provided on these in accordance with the requirements of IAS 37.

2.22. Suppliers

Suppliers are initially recorded at their reasonable value and are subsequently valued at their amortised cost, using the effective interest-rate method.

2.23. Transactions in foreign currencies.

a) Functional currency.

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

b) Transactions and balances.

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

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

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

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

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

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

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

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

2.24. Revenue recognition.

a) Ordinary income.

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

Ordinary income is recognised as follows:

- The sale of goods is recognised when a group company has delivered the products to the customer, the customer has accepted them and the collection of the corresponding accounts receivable is reasonably assured.

- The sale of services is recognised in the financial year in which the services are provided, by reference to the finalisation of the specific transaction evaluated on the basis of the real service provided as a percentage of the total service to be provided.

- Income from interest is recognised by using the effective interest rate method. When a collectable account undergoes loss through impairment, the book amount is reduced to its recoverable value, discounting estimated future cash flows at the original effective interest rate of the instrument and the discount is recorded as a reduction in interest income. Income from interest on loans that has undergone loss impairment is recognised when the cash is collected or on the basis of the recovery of the cost when the conditions are guaranteed.

- Dividend income is recognised when the right to receive the payment is established.

b) Building contracts.

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

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

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

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

c) Concession contracts.

Inside the Integrated Products developed in Abengoa (See Note 2.4.3), there are certain projects in which the titular company of the Project (in association with other companies or exclusively) wins a contract for periods generally of between 20 and 30 years. These contracts include the construction of the infrastructures and the future services associated with the operation and maintenance of the concessions concerned during concession period (induced business).

Each of these projects absorbs, in addition to the infrastructure constructions costs, the financial costs corresponding to the financing of the project, which are capitalised until the asset comes into operation, operating and maintenance costs and the general and administrative costs.

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

In general, the accounting operation applied as guide in this type of project is the interpretation Nº 12 from the IFRIC on constructed assets considered as Intangible Assets (Concessions) and comprises the following:

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

2) Interest is capitalised up to entry into service.

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

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

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

- Operating expenses: the operation and maintenance costs, general overheads and administration expenses will be posted to expenses as and when the costs are incurred (accrual) in each period. The provision for amortization of the corresponding fixed asset will be effected in accordance with the criterion explained in paragraph 1) above.

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

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

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

2.25. Leasing.

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

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

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

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

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

2.27. Dividend payment.

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

2.28. Electrical activities.

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

Royal Decree 437/1998, of 20 March, by which adopts states the first time implementation of the General Accounting Plan to the companies in the electricity sector, including those in the groups mentioned in the above paragraph, lays down the obligation of including certain information in their financial statements. The said obligations are also applicable to the Consolidated Financial Statements of the groups that are involved in one or more electrical activities.

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

Appendices IV and IX respectively detail the companies and their activities in the 2007 and 2006 financial years.

2.29. Environmental assets.

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

2.30. Severance payments.

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

2.31. New Pronouncements, interpretations and modifications.

The IASB has recently adopted and published certain accounting standards, modifications to the current standards and IFRSIC interpretations, in regards of which the Group has adopted the following measures:

a) Regulations, modifications and interpretations which came into effect in 2007, applied by the group:

- IFRS 7, "Financial Instruments: Disclosures", and complementary modification of IAS 1, "Presentation of Financial Statements – Capital Disclosures". IFRS 7 introduces new breakdowns to improve the information on financial instruments, though it has no impact on the classification and valuation of the group's financial instruments or on the breakdowns relating to taxes and suppliers and other accounts payable.

- IFRIC 10, "Interim financial reporting and impairment" prohibits impairment losses on goodwill that have been recognised in an interim period, investments in equity instruments and financial assets carried at cost from being reversed in subsequent financial statements. The application of this standard has no effect on the Group's accounts.

b) Regulations, modifications and interpretations which come into effect after 2007, and which the group has chosen to apply in advance:

- IFRIC 11, "IFRS 2 – Group and Treasury Share Transactions". This interpretation establishes the principles for determining whether a transaction based on shares involving own shares or those of entities of the group must be recorded as a transaction with payment based on shares made using asset instruments or paid in cash in the individual accounts of the dominant company and the entities of the group. The application of this interpretation has no effect on the Group's accounts.

c) Regulations, modifications and interpretations that have not come into effect and which the group has not chosen to apply in advance:

- IFRS 8, "Operating segments", which will become obligatory for financial years starting on or after the 1st of January 2009. This modification is pending adoption by the European Union. IFRS 8 replaces IAS 14 and unifies the financial information presentation requirements by segments with the American SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires an approach in which the information by segments is presented on the same basis as that used for internal purposes. The Group will apply IFRS 8 from the 1st of January 2009, though it is not expected to have any effect on the group's financial statements.

2.23. Biological Assets

The harvest crops from the biological assets are valued at the harvest point at fair value minus the estimated cost at the sell point. The valuation refers to the cost value at the date of the harvest for the initial stock valuation. The profit or losses from the value minus the estimated costs at the sell point are recognized in the consolidated income statement.

**Note 3.- Financial Risk Management.**

Financial risk factors.

The activities Abengoa carries out through its 5 Business Groups are exposed to various financial risks: Market risk (including exchange-rate risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Risk Management Model at Abengoa seeks to minimise the potential adverse effects on the Group's financial profitability.

Risk management at Abengoa is controlled by the Group's Corporate Financial Department in accordance with the internal mandatory management norms in force. This department identifies and evaluates the financial risks in close collaboration with the Group's operative units. The internal management norms provide written policies for global risk management, as well as for specific areas such as the exchange rate risk, credit risk, interest rate risk, liquidity risk, use of coverage instruments and derivatives and investment of excess liquidity.

a) Market risk.

The company is exposed to market risk due to variations in exchange rates, interest rates and raw material commodity prices. All these market risks arise in the normal course of business, as we do not carry out speculative operations. In order to manage the risk that arises from these operations, we use a series of future sale and purchase contracts, swaps and options on exchange rates, interest rates and commodities.

The exchange-rate risk arises when future commercial transactions, recognised liabilities and assets, are denominated in a currency that is not the company's functional currency. To control the interest-rate risk, we use future currency sale and purchase contracts. These contracts are designated as hedges on the reasonable value or effective flows, as appropriate.

Approximately 95% of the transactions anticipated in each of the currencies other than the functional currency are classified as highly probable scheduled transactions for the purposes of hedge accounting.

The interest-rate risk arises from financial liabilities at a variable interest rate. To control the interest-rate risk, we essentially use interest-rate options (caps) exchange swap, which, in exchange for a premium, offer protection from rising interest rates.

The risk of variation in commodity prices arises from both sales of the company’s products and stocks of raw materials for the production processes. As a general rule, the company uses future sale and purchase contracts and options listed on organised markets, as well as over-the-counter contracts with financial entities, to mitigate the risk generated by the variation in market prices.

The Corporate Financial Department takes part in the design, execution, control and monitoring of these hedging operations

b) Credit risk.

The balances of client items and other accounts receivable, current financial investments and cash are Abengoa's main financial assets, representing the maximum exposure to credit risk if the third-party does not fulfil the obligations to which they have committed.

With regard to the most of the accounts receivable correspond to customers located in diverses industries and countries. In most cases, the contracts require payments as the project is developed, begun or delivered.

It is usual practice for the company to reserve the right to cancel the work should there be material breach, in particular, non-payment.

In addition to the above, the company has the firm commitment of a first level bank for the purchase, without resources, of the accounts receivable (Factoring). In these agreements, the company pays the bank for assuming the credit risk, together with an interest for the finance. In all cases, the company assumes the validity of the accounts receivable.

In this sense, at Abengoa the write-off of factored debit balances is carried out whenever all the conditions indicated in IAS 39 for removal from the assets accounts of the balance sheet are met. In other words, analysis is carried out of whether the transfer of risks and profit inherent in related share-ownership has taken place, comparing company exposure, prior to and following the transfer, to fluctuation and the net cash-flow calendar for the transferred assets. Once exposure of the awarding company to the aforementioned fluctuation has been removed or substantially reduced, then the financial assets in question have been transferred.

Generally, at Abengoa the most salient risk in these assets within its risk activity is defined as that of bad debts, since, a) they may become significant in quantitative terms in carrying out a project or providing services; b) it would not be within the company's control. Likewise, the risk of default is deemed of low importance in these contracts, and generally associated with problems of a technical nature, in other words, associated with the actual technical risk of the service provided, and therefore, under the control of the company. In any case, and in order to cover contracts whereby, in theory, it may be possible to identify, as a risk associated with financial assets, possible defaulting on payment by a client without adducing commercial causes, Abengoa establishes that not only should the risk of legal insolvency be covered (bankruptcy, etc.) but also de facto or notorious insolvency (caused by management of the company treasury, without cases "of general default" arising). As a result, and if concluded from the personalised evaluation carried out of each contract, that the relevant risk associated with these contracts has been awarded to the financial entity, the aforementioned accounts receivable are removed from the balance sheet at the time of the award to the financial entity, on the basis of IAS 39.20.

As indicated, Abengoa's policy is to transfer the credit risk associated with items included in the client balance and other accounts receivable via the use of non-recourse factoring contracts. As a result, it would be necessary to exclude the potential effect on client balances and other accounts receivable of client balances by project carried out awaiting certification, whereby there are factoring contracts, the effect on those other client balances which may be factored but have still not been sent to the factoring entity at the close of the financial year, and those assets which are covered by credit insurance and which are reflected within the aforementioned balance. As a result, Abengoa minimises its exposure to credit risk on the aforementioned assets by means of this policy.

Financial expenses during the year 2007 resulting from the said factoring transactions totalled € 22,830 thousands (€ 16,337 thousands in 2006)

c) Liquidity risk.

The aim of Abengoa's liquidity and financing policy is to ensure that the company maintains sufficient availability of funds to meet its financial commitments. Abengoa uses two main sources of financing:

- Non-Recourse Financing Applied to Projects, which, in general, is used to finance any significant investment (See Notes 2.4.3 and 23).

- Corporate Financing, to finance the activity of all other companies not financed using the previous method. This financing is managed centrally through Abengoa, S.A. (See notes 2.18 and 24).

In the case of Non-Recourse Financing Applied to Projects, each project's debt repayment profile is established in accordance with each business's fund generation capacity, with a margin which varies depending on the predictability of the flows of each business or project. This ensures there will be adequate financing, taking into account the term and maturity, to significantly mitigate the liquidity risk.

As for Corporate Financing, Abengoa aims to have adequate debt repayment capacity in relation to its cash generation capacity. For these purposes, the following criteria and actions are taken into account:

1) Maintenance of an adequate level of leveraging through the fulfilment of the Net Debt/Ebitda financial ratio. The maximum limit of this ratio established in financing contracts applicable for the years 2007 and 2006 is 3.5. The Net Debt is calculated as the total external resources minus cash and cash equivalents, excluding the debt of operations financed without recourse. The denominator is arrived at by aggregating the Ebitda of the companies that do not have Non-Recourse Financing Applied to Projects.

   The value of this ratio at close of financial years 2007 and 2006 was around 1.2 and 0.51, respectively.

   In addition, the aim of Abengoa is to maintain this ratio at levels of below 3.0 in the medium term, in order to achieve an additional margin and increase the protection from liquidity risk.

2) Annual preparation and approval by the Board of Directors of a Financial Plan encompassing all the financing needs and the way in which these will be covered. The aforementioned Plan is prepared in close collaboration with the Corporate Financial Department and the Business Groups.

3) Ability to meet financial obligations in the coming months. In this regard, in 2007 Abengoa completed three Corporate Financing Operations for a total sum of € 859,000 thousands (See Note 24): the signing of two bilateral loans of € 150,000 thousands and € 109,000 thousands with the Official Credit Institute and the European Investment Bank, respectively, as well as a credit line of € 600,000 thousands, successfully syndicated in the second half of the year among a total of 22 financial entities.

d) Cash flow interest rate risk.

The Group's interest rate risk is the result of long-term external resources. The external resources issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages the cash flow interest rate risk through the purchase of options in exchange for a premium through which the company assures the payment of a maximum fixed interest rate. In addition and under certain conditions, the company uses swap of variable to fixed interest rate (See Note 12.2).

## Note 4.- Accounting Estimates and Judgements.

In Abengoa's Consolidated Financial Statements corresponding to the 2006 and 2005 financial years, estimates made by the top-level management of the group and the consolidated companies have been used occasionally, subsequently ratified by the corresponding directors, to quantify some of the assets, liabilities, income, expenses and commitments recorded in the said accounts. Basically, these estimates refer to the following:

- Asset impairment losses (See Note 2).
- The useful life of the tangible and intangible assets (See Notes 2, 6, 7 and 8).
- The amount of certain provisions (See Note 27).
- The valuation of the goodwill (See Note 6).
- The fair value of certain non-listed assets (See Note 10).
- The assets and liabilities fair value to allocate the purchase price.
- Income tax (See Note 26).
- The expected result of Dedini, corresponding to Abengoa's management period.

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

**Note 5.- Financial Information by Segments.**

5.1. Information by business segments.

The segments identified to show the information correspond to the 5 Business Groups in which Abengoa operates (See Note 1.2). The said segments are as follows.

- Solar.
- Bioenergy.
- Environmental Services.
- Information Technologies.
- Industrial Construction and Engineering.

a) Details of the profit and loss accounts by business segments for the financial year ending 31 December 2007 and 2006 are as follows:

| | Solar | Bio. | Environ. Services | IT | Ind. Const. and Eng. | Corp. Act. and Adjustments | Total at 31.12.07 |
|---|---|---|---|---|---|---|---|
| Net Turnover | 17,729 | 613,732 | 769,670 | 597,188 | 1,485,358 | (269,212) | 3,214,465 |
| Operating Expenses | (55,653) | (532,723) | (568,169) | (480,999) | (1,190,974) | 34,041 | (2,794,477) |
| Other Operating Income and Expenses | 30,656 | (42,735) | (104,296) | (69,787) | (131,856) | 184,368 | (133,650) |
| **I. Operating Profit** | **(7,268)** | **38,274** | **97,205** | **46,402** | **162,528** | **(50,803)** | **286,338** |
| II Financial Profit | (8,418) | (20,063) | (31,695) | (15,333) | (47,686) | (17,294) | (140,489) |
| III Associated Profit | 222 | - | (1,879) | - | 6,122 | (222) | 4,243 |
| **IV. Consolidated Pre-tax Profit** | **(15,464)** | **18,211** | **63,631** | **31,069** | **120,964** | **(68,319)** | **150,092** |
| **V. Consolidated After-tax Profits** | **(3,475)** | **21,538** | **48,014** | **24,462** | **81,610** | **(36,330)** | **135,819** |
| **VI. Profit attributed to the Parent Company** | **(3,451)** | **21,147** | **46,393** | **14,582** | **71,735** | **(30,003)** | **120,403** |

| | Solar | Bio. | Environ. Services | IT | Ind. Const. and Eng. | Corp. Act. and Adjustments | Total at 31.12.06 |
|---|---|---|---|---|---|---|---|
| Net Turnover | - | 476,192 | 555,284 | 476,334 | 1,350,979 | (181,603) | 2,677,186 |
| Operating Expenses | - | (366,473) | (425,760) | (350,324) | (1,005,838) | 8,058 | (2,140,337) |
| Other Operating Income and Expenses | - | (75,163) | (84,460) | (95,313) | (205,396) | 142,655 | (317,677) |
| **I. Operating Profit** | **-** | **34,556** | **45,064** | **30,697** | **139,745** | **(30,890)** | **219,172** |
| II Financial Profit | - | (7,278) | (12,136) | (7,890) | (62,666) | (1,886) | (91,856) |
| III Associated Profit | - | - | 1,748 | - | 5,312 | 472 | 7,532 |
| **IV. Consolidated Pre-tax Profit** | **-** | **27,278** | **34,676** | **22,807** | **82,391** | **(32,304)** | **134,848** |
| **V. Consolidated After-tax Profits** | **-** | **17,001** | **26,499** | **20,658** | **80,068** | **(22,723)** | **121,503** |
| **VI. Profit attributed to the Parent Company** | **-** | **16,148** | **23,555** | **10,296** | **72,452** | **(22,112)** | **100,339** |

b) The assets and liabilities by business segments at 31 December 2007 and 2006 are as follows:

| | Solar | Bio. | Environ. Services | IT | Ind. Const. and Eng. | Corp. Act. and Adjustments | Total at 31.12.07 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Tangible fixed assets | 200,583 | 831,703 | 325,903 | 52,787 | 326,492 | (89,732) | 1,647,736 |
| Intangible assets | 53,945 | 535,960 | 361,023 | 137,086 | 813,456 | 186,816 | 2,088,286 |
| Financial Investments | 30,020 | 59,091 | 103,326 | 94,108 | 133,058 | (3,116) | 416,487 |
| Current Assets | 218,810 | 747,470 | 394,588 | 483,868 | 1,659,838 | 453,073 | 3,957,647 |
| **Total Assets** | **503,358** | **2,174,224** | **1,184,840** | **767,849** | **2,932,844** | **547,041** | **8,110,156** |
| **Liabilities** | | | | | | | |
| Equity | (1,520) | 175,737 | 266,811 | 190,754 | 303,405 | (137,697) | 797,490 |
| Non-current Liabilities | 254,587 | 1,226,574 | 399,217 | 95,920 | 553,091 | 1,580,697 | 4,110,086 |
| Current Liabilities | 250,291 | 771,913 | 518,812 | 481,175 | 2,076,348 | (895,959) | 3,202,580 |
| **Total Liabilities** | **503,358** | **2,174,224** | **1,184,840** | **767,849** | **2,932,844** | **547,041** | **8,110,156** |

| | Solar | Bio. | Environ. Services | IT | Ind. Const. and Eng. | Corp. Act. and Adjustments | Total at 31.12.06 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Tangible Fixed Assets | - | 368,092 | 244,606 | 52,135 | 930,975 | (588,716) | 1,007,092 |
| Intangible assets | - | 47,849 | 353,506 | 57,588 | 66,558 | 877,395 | 1,402,896 |
| Financial Investments | - | 46,849 | 141,858 | 66,823 | 105,559 | 13,000 | 374,089 |
| Current Assets | - | 471,588 | 366,056 | 380,970 | 1,043,456 | 380,431 | 2,642,501 |
| **Total Assets** | - | **934,378** | **1,106,026** | **557,516** | **2,146,548** | **682,110** | **5,426,578** |
| **Liabilities** | | | | | | | |
| Equity | - | 185,248 | 112,795 | 168,648 | 207,354 | (132,919) | 541,126 |
| Non-current Liabilities | - | 387,793 | 440,678 | 25,732 | 428,281 | 785,019 | 2,067,503 |
| Current Liabilities | - | 361,337 | 552,553 | 363,136 | 1,510,913 | 30,010 | 2,817,949 |
| **Total Liabilities** | - | **934,378** | **1,106,026** | **557,516** | **2,146,548** | **682,110** | **5,426,578** |

The criteria used to obtain the figures of the income statement account and for assets and liabilities by business segments are as follows:

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

2. The Corporate activity and Adjustments column includes both the income statement account and assets and liabilities of general use, which are not distributed to the other activities and which are mainly included in the balance sheet of the parent company, as well as the adjustments effected during the consolidation process, fundamentally relating to the removal of internal operations between business segments.

3. The group also has auxiliary activities, portfolio companies and companies dedicated to the agricultural exploitation, whose dimension is not significant (less than 5%) enough to present separate information, which is why they are included in the corresponding Business Group column (Bioenergy and Corporate Activity).

c) The detail of Net Debt by business segments at 31 December 2007 and 2006 is as follow:

| Item | Solar | Bio. | Environ. Services | IT | Ind. Const. and Eng. | Corp. Act. and Adjustments | Total 2007 |
|---|---|---|---|---|---|---|---|
| Long and short-term debt with credit entities | 130,691 | 1,053,385 | 353,960 | 113,781 | 659,953 | 216,881 | 2,528,651 |
| Long and Short-term Non-recourse Financing | 234,628 | 167,408 | 369,157 | 16,983 | 749,168 | 151,819 | 1,689,163 |
| Financial Investments | (91,625) | (101,455) | (73,827) | (76,957) | (686,192) | 433,609 | (596,447) |
| Cash and Cash Equivalents | (62,536) | (323,115) | (53,986) | (39,744) | (189,039) | (1,029,469) | (1,697,889) |
| **Total Net Debt** | **211,158** | **796,223** | **595,304** | **14,063** | **533,890** | **(227,160)** | **1,923,478** |
| Long and Short-term Non-recourse Financing | (234,628) | (167,408) | (369,157) | (16,983) | (749,168) | (151,819) | (1,689,163) |
| **Total Net Debt (excluding N/R Financing)** | **(23,470)** | **628,815** | **226,147** | **(2,920)** | **(215,278)** | **(378,979)** | **234,315** |

| Item | Solar | Bio. | Environ. Services | IT | Ind. Const. and Eng. | Corp. Act. and Adjustments | Total 2006 |
|---|---|---|---|---|---|---|---|
| Long and short-term debt with credit entities | - | 292,657 | 422,358 | 71,871 | 429,861 | 139,185 | 1,355,932 |
| Long and Short-term Non-recourse Financing | - | 111,335 | 339,771 | 24,588 | 778,176 | - | 1,253,870 |
| Financial Investments | - | (94,638) | (59,581) | (58,152) | (427,246) | 157,878 | (481,739) |
| Cash and Cash Equivalents | - | (210,706) | (69,327) | (40,406) | (102,158) | (605,375) | (1,027,972) |
| **Total Net Debt** | - | **98,648** | **633,221** | **(2,099)** | **678,633** | **(308,312)** | **1,100,091** |
| Long and Short-term Non-recourse Financing | - | (111,335) | (339,771) | (24,588) | (778,176) | - | (1,253,870) |
| **Total Net Debt (excluding N/R Financing)** | - | **(12,687)** | **293,450** | **(26,687)** | **(99,543)** | **(308,312)** | **(153,779)** |

The criteria used to obtain the figures for Net Debt by business segments are as follows:

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

2. The Corporate activity and Adjustments column includes both the income statement account and assets and liabilities of general use, which are not distributed to the other activities and which are mainly included in the balance sheet of the parent company, as well as the adjustments effected during the consolidation process, fundamentally relating to the removal of internal operations between business segments.

3. The syndicated Corporate Finance granted to Abengoa, S.A. for an amount of € 2.059 millions has been distributed by Business Groups as its main purpose is to finance investments in projects and companies needing to expand Group businesses and activities.

4. In order to calculate this, Financial Investments as a lesser Net Debit have been included, as the items under the aforementioned heading (See Note 2.8) have an absolute liquidity, and it is therefore not appropriate to exclude them from the aforementioned calculation.

d) Distribution by business segments of net turnover and of Gross Operation Flows, distinguishing between non-recourse and recourse companies, for the financial years ending 31 December 2007 and 2006 is as follows:

| | Solar | Bio. | Environ. Services | IT | Ind. Const. and Eng. | Corp. Act. and Adjust. | Total at 31.12.07 |
|---|---|---|---|---|---|---|---|
| Net Turnover Assets | 17,729 | 613,732 | 769,670 | 597,188 | 1,485,358 | (269,212) | 3,214,465 |
| Gross Operation Flows (See Note 28) | 9,529 | 79,809 | 123,791 | 55,936 | 203,979 | (20,677) | 452,367 |

| | Solar | Bio. | Environ. Services | IT | Ind. Const. and Eng. | Corp. Act. and Adjust. | Total at 31.12.06 |
|---|---|---|---|---|---|---|---|
| Net Turnover Assets | - | 476,192 | 555,285 | 476,334 | 1,350,979 | (181,604) | 2,677,186 |
| Gross Operation Flows (See Note 28) | - | 49,930 | 58,031 | 42,349 | 161,464 | (23,923) | 287,851 |

The criteria used to obtain the figures for Sales and Gross Operation Flows are as follows:

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

2.. The Corporate activity and Adjustments column includes both the net turnover assets as well as the gross operation flows, which are not distributed to the other activities, as well as the adjustments effected during the consolidation process.

3. The column for Intra-group Projects adjustments includes all adjustments made in the consolidated one corresponding to removal of operations performed between business segments with regard to fixed assets affecting Solar and Bioenergía activity.

e) The details by business segments of the amounts relating to acquisition cost of assets, amortisation and depreciation expenses and the value of expenses not involving an outlay of cash is as follows:

| Segment Information | Solar | Bio. | Environ. Services | IT | Ind. Const. and Eng. | Corp. Act. and Adjustments | Total at 31.12.07 |
|---|---|---|---|---|---|---|---|
| Cost Assets | 154,935 | 1,076,915 | 158,639 | 80,025 | 279,840 | (204,207) | 1,546,147 |
| Amortisation and Depreciation Expenses | 17,378 | 16,047 | 26,586 | 9,533 | 41,453 | (13,592) | 97,405 |
| Expenses with no outlay of cash | (11,989) | 8,187 | 24,123 | 7,460 | 51,300 | 340 | 79,421 |

| Segment Information | Solar | Bio. | Environ. Services | IT | Ind. Const. and Eng. | Corp. Act. and Adjustments | Total at 31.12.06 |
|---|---|---|---|---|---|---|---|
| Cost Assets | - | 170,456 | 285,501 | 38,006 | 345,874 | 78,408 | 918,245 |
| Amortisation and Depreciation Expenses | - | 15,374 | 12,967 | 10,065 | 20,753 | 9,520 | 68,679 |
| Expenses with no outlay of cash | - | 11,012 | 3,354 | 6,038 | 15,792 | 11,823 | 48,019 |

5.2. Information by geographical segments.

a) The sales distribution by geographical segments at 31 December 2007 and 2006 is as follows:

| Geographic area | Amount at 31.12.07 | % | Amount at 31.12.06 | % |
|---|---|---|---|---|
| **Domestic market** | **1,217,541** | **37.9** | **1,177,366** | **44.0** |
| - USA and Canada | 477,333 | 14.9 | 284,726 | 10.6 |
| - European Union | 604,846 | 18.8 | 319,029 | 11.9 |
| - Latin-America | 634,572 | 19.7 | 739,495 | 27.6 |
| - Other countries | 280,173 | 8.7 | 156,570 | 5.9 |
| **Foreign market** | **1,996,924** | **62.1** | **1,499,820** | **56.0** |
| **Total** | **3,214,465** | **100.0** | **2,677,186** | **100.0** |

b) The distribution of net investments in (Intangible and Tangible) Fixed Assets by geographical segments at 31 December 2007 and 2006 is as follows:

| Geographic area | Balance as of 31.12.07 | Balance as of 31.12.06 |
|---|---|---|
| **Domestic market** | **606,898** | **505,454** |
| - USA and Canada | 275,416 | 152,622 |
| - European Union | 359,344 | 131,480 |
| - Latin-America | 1,292,756 | 1,022,037 |
| - Other countries | 87,220 | 2,876 |
| **Foreign market:** | **2,014,736** | **1,309,015** |
| **Total** | **2,621,634** | **1,814,469** |

**Note 6.- Intangible Assets.**

6.1. The statement of movements for the 2006 and 2007 financial years of the main types of intangible assets, broken down between those generated internally and other intangible assets, are as follows:

| Cost | Goodwill Fund | Development Assets | Other | Total |
|---|---|---|---|---|
| Balances as of 31 December 2005 | 303,425 | 37,487 | 14,884 | 355,796 |
| Increases | 293,805 | - | 2,067 | 295,872 |
| Decreases | - | - | (10,188) | (10,188) |
| Other movements | (1,711) | (22,283) | 20,166 | (3,828) |
| **Balances as of 31 December 2006** | **595,519** | **15,204** | **26,929** | **637,652** |
| Increases | 62,449 | 10,769 | 11,154 | 84,372 |
| Decreases | (3,665) | - | (8,284) | (11,949) |
| Other movements | 460,085 | - | 80,830 | 540,915 |
| **Balances as of 31 December 2007** | **1,114,388** | **25,973** | **110,629** | **1,250,990** |

| **Accumulated depreciation** | Goodwill Fund | Development Assets | Other | Total |
|---|---|---|---|---|
| Balances as of 31 December 2005 | - | - | (7,129) | (7,129) |
| Increases (changes) | - | - | (5,981) | (5,981) |
| Decreases | - | - | 438 | 438 |
| Other movements | - | - | (1,644) | (1,644) |
| **Balances as of 31 December 2006** | **-** | **-** | **(14,316)** | **(14,316)** |
| Increases (changes) | - | - | (5,411) | (5,411) |
| Decreases | - | - | - | - |
| Other movements | - | - | (4,241) | (4,241) |
| **Balances as of 31 December 2007** | **-** | **-** | **(23,968)** | **(23,968)** |
| | | | | |
| **Net Balances at 31 December 2007** | **1,114,388** | **25,973** | **86,661** | **1,227,022** |

The amounts corresponding to "Other Movements" of the 2007 financial year, generally, reflect the inputs from certain companies considered as Project Companies in previous financial years and account re-classifications, as well as adjustments made to the definitive balances in the previous financial year for individual companies with respect to those provided for consolidation purposes and exchange-rate effects. The most significant amount relates to the intangible assets contributed by Abengoa Bioenergía Sao Paulo after its consideration in the consolidation perimeter.

6.2. In the 2007 financial year and in the heading titled "Development Assets" it is included the amounts invested in two projects: "Design and Development of two Pilot Plants for the production of Bioethanol using Cellulose Biomass" (€ 10.2 millions) and "Development Project to improve the productivity of Solar Heating Plants" (€ 15.8 millions).

In addition to the aforementioned, in the 2007 financial year there are other development projects classified within intangible fixed assets in projects at a value of € 56,517 thousands (See Note 8.1).

On the other hand, Abengoa makes significant investments in R&D&i, which are included in the income statement in accordance with the criteria laid down in IFRS. The amount for Spending on Research and Development for the financial year is 2007 and 2006 totals € 41,912 and € 23,239 thousands, respectively.

In the attached box, the total drive in terms of investment in research and development during the 2007 financial years is summarized:

| | **Total at 31.12.06** | **Variation in the Financial Year** | **Total at 31.12.07** |
|---|---|---|---|
| Development Assets (Note 6.1) | 15,204 | 10,769 | 25,973 |
| Development Assets (Note 8.1) | 54,611 | 1,906 | 56,517 |
| Spending on Research in 2007 financial year | - | 41,912 | - |
| **Total investment in R&D&i in 2007 financial year** | **-** | **54,587** | **-** |

6.3. The consolidation goodwill by part-owned companies at 31 December 2006 and 2005 is as follows:

| Goodwill | Balance as of 31.12.07 | Balance as of 31.12.06 |
|---|---|---|
| Companies consolidated by line by line / proportional method | | |
| AB Bioenergy France, S.A. | 1,510 | 1,510 |
| Abencs | 12,860 | - |
| Abengoa Bioenergia Sao Paulo | 427,264 | - |
| Abengoa Bioenergy Corp. | 30,233 | 33,720 |
| Asa Bioenergy of Nebraska, LLC | 3,709 | 4,204 |
| B.U.S. Group AB | 263,442 | 260,112 |
| Befesa Aluminio Valladolid, S.A. | 423 | 422 |
| Befesa Aluminios Bilbao, S.L. | 18,230 | 18,230 |
| Befesa Argentina, S.A. | 514 | 520 |
| Befesa Gestión de PCB, S.A | 180 | 180 |
| Befesa Gestión de Residuos Industriales, S.L. | 47,508 | 48,639 |
| Befesa Medio Ambiente, S.A. | 176,320 | 174,150 |
| Befesa Zinc Amorebieta, S.A. | 4,460 | 2,633 |
| Befesa Zinc Aser, S.A. | 4,268 | 4,268 |
| Befesa Zinc Sondika, S.A. | 1,228 | 854 |
| Beijing Blue Shield High & New Tech. Co., Ltd | 2,101 | - |
| Caseta Technologies, Inc | 6,555 | - |
| Construcciones Metálicas Mexicanas, S.A. de C.V. | 136 | 569 |
| Construcciones y Depuraciones, S.A. | 3,006 | 3,006 |
| Energoprojekt-Gliwice, S.A. | 2,606 | 2,192 |
| Geida Skikda, S.L. | 1,087 | - |
| Maexbic, S.A. | 1,681 | 1,486 |
| Matchmind Holding, S.L. | 64,621 | - |
| Miner & Miner Consulting Engineers, Inc. | 6,493 | 7,141 |
| Telvent Australia Pty Ltd | - | - |
| Telvent Canadá, Ltd. | 19,228 | 18,219 |
| Telvent Farradyne, Inc. | 13,417 | 12,002 |
| Telvent USA, Inc. | 1,308 | 1,462 |
| **Totals** | **1,114,388** | **595,519** |

The most significant variations experienced in the 2007 financial year are:

- 100% acquisition of the Dedini Group in Brazil via Abengoa Bioenergía AG (company which owns 100% of Abengoa Bioenergía, S.A.), for a sum of € 237 millions.

- Acquisition of 51% of Abencs in the USA via Abener, S.A. (company which owns 100% of Abeinsa, S.A.), for a sum of € 12 millions.

- Acquisition of 58% of Matchmind in Spain via Telvent Outsourcing, S.A. (company which owns 100% of Telvent GIT, S.A.), for a sum of € 23 millions.

6.4. Below are detailed the main acquisitions made by Abengoa during the 2007 financial year, detailing the main net assets acquired, goodwill generated as well as the contribution of the aforementioned acquisitions to turnover and consolidated net profit for the financial year.

6.4.1. Acquisition of Dedini.

On the 26th of September 2007, after obtaining the relevant administrative authorisations, the Abengoa-group company Abengoa Bioenergía, S.A. (through its subsidiary Abengoa Bioenergy AG), concluded the acquisition of 100% of the equity of the Dedini Agro group of companies, assuming control of its operations on that date. It has now been decided to change the names of all the companies involved, Abengoa Bioenergía Sao Paulo being the new name of the parent company.

The Dedini Agro group (which includes the holding company Adriano Ometto Participacões Ltda., and its 100%-owned companies Dedini S.A. Indústria e Comércio, Dedini Azúcar e Alcoool Ltda., Santa Fé Indústria e Comércio Ltda., Sociedade Agrícola Dedini Ltda. and Compañía Energética Dedini Agro) is one of the largest business complexes in the production of bioethanol and sugar in the Brazilian market. In addition, it is one of the largest companies in Brazil in the cultivation and processing of sugar cane, currently producing over six million tonnes of cane a year through long-term share-farming contracts. In the industrial aspect, it has two plants in the state of Sao Paulo and its competitive production costs, thanks to the excellent location of the plants, the experience of its team of workers and the direct control of an important part of the crop lands, by means of the aforementioned long-term share-farming contracts.

This investment is strategic for Abengoa, as Brazil is one of the largest bioethanol markets in the world, with an annual production of 20,000 million litres (2007), and strong growth is anticipated in the consumption of bioethanol, thanks to the success of flexible vehicles, which now account for 90% of all cars sold in Brazil and can run on both petrol and bioethanol. With this acquisition, Abengoa Bioenergía becomes the only company in the world with a presence in the three main bioethanol markets in the world, i.e. The United States, Brazil and Europe.

Following the integration of the Dedini Agro group, Abengoa Bionergía hopes to achieve considerable growth in the production of the Brazilian plants, develop at least one new plant and more effectively commercialise Brazilian production, making use of its current commercial networks. Likewise, Abengoa Bioenergía will be able to apply the technology that is being developed in order to obtain cellulosic ethanol from sugar cane bagasse, to increase production and the economic exploitation of cane, and therefore efficiently reducing costs. In particular, Abengoa Bioenergía's international commercialisation and cellulosic bioethanol technology capacities, together with the agricultural, productive and local commercialisation capacities, will give rise to very important synergies that will make it possible to achieve considerable growth in the world bioethanol market and have access to the technology that will help reduce costs per litre of ethanol.

As the takeover became effective at the end of September 2007, as was commented at the start of this note, the 30th of September 2007 has been taken as the date of reference in determining all reasonable values of the assets and liabilities of the group of companies acquired susceptible to accountancy acknowledgement, as well as, consequently, the determination of the resulting Goodwill, for the purposes of its integration into the consolidation perimeter. Likewise, from that same date, the 30th of September 2007, the operations (revenue and expenses) of the group of companies acquired will form part of the results attributable to the management of Abengoa and its consolidated group of companies.

The purchase price for the acquisition of shares in the companies of the Dedini Agro group, liquid, certain, demandable and definitive, is € 237 millions (327.4 million US dollars), of which 281.9 million US dollars has been paid to the seller. The difference of 45.5 million US dollars between these two sums is explained as follows: (a) 30 million US dollars has been deposited in an escrow account as delayed payment of the price, which will be released proportionally and at the latest at the end of the 2008/2009 harvest as a success premium, depending on an increase in availability of 7 to 7.2 million tonnes of sugar cane for milling, and (b) the remaining 15.5 million US dollars have been deposited in another escrow account, different from the previous one, as a guarantee of any claims that may be made against the net assets acquired whose cause is prior to the effective takeover of the companies acquired and for a period of 6 years from the date of formalisation of the sale and purchase. In addition, and independently of any generic responsibilities regarding the sufficiency of the information provided during the analysis and valuation of the company prior to its acquisition and the fulfilment of the requirements to do/not do until the date of assumption of control by the buyers, as well as the general cautions used for the protection of the buyers, the sellers assume a full and unlimited commitment in regard of any fiscal or corporate contingencies that may arise in relation to the company reorganisation processes that have been necessary in order to structure the transfer of ownership of the Dedini group shares to the new owner.

In order to undertake this operation, a new long-term syndicated operation has been entered into for the sum of € 600 millions (See Note 24.2). In addition to the above, the operation would involve the restructuring of the financial structure of the acquired group, which includes negotiation of the corporate debt of the Dedini group, which is € 243.3 millions

Among the debt contracts held by the Dedini group, there are loans in both the local Brazilian and foreign currencies related to short- and long-term financing operations with different financial entities. This composition has been the object of a detailed study in order to be able to take the necessary measures to optimise its structure and characteristics, essentially taking into account cost and term criteria. As a first measure, Dedini has received a short-term loan from a banking entity to cover the repayment of the highest-cost debt. Once the objective was completed, the loan was cancelled by means of existing surplus cash in Abengoa. In addition, and after the close of 2007 financial year, Dedini has continued with the programme of reorganisation of its financial liabilities, which involves the renewal, prepayment or renegotiation of the existing banking contracts, as appropriate.

In fulfilment of that set forth in IFRS 3 on business combinations, the Administrators have carried out an analysis for the assignation of the purchase price, considering for this purpose all the assets and liabilities, tangible and intangible, as well as the contingencies, in so far as they are the object of accountancy acknowledgement in accordance with international accountancy standards. For this purpose, in the assignation of the purchase price, all those factors that were taken into account when it came to determining the purchase price, among which we would highlight the assignation of value (€ 53.9 millions) to the intangibles associated with the future operation of the contracts for biomass cogeneration already authorised by the Administration and which even have pre-determined operating conditions, as well as the valuation of the operating rights (€ 5.2 millions) deriving from the share-farming contracts on third-party lands and on the land for agricultural use that had previously belonged to the companies acquired and that were transferred to capital companies of the previous shareholders of the acquired group.

The considered factors in the gross cash-flows to determine the purchase price, are as follows:

- Sugar and alcohol sale prices: 0.51 R$/kg VHP sugar, 0.67 R$/kg crystal sugar and 850 R$/litre hydrated alcohol for the 2007/08 crop, and 0.53 R$/kg, 0.69 R$/kg and 870 R$/litre respectively for the 2009/10 crop, in accordance with the international sugar reference price scenario (NY11) averages of 11 cUSD/lb for 2007/08 with a slight rise for 2009/10.

- Cash flows based on the 5-year budgets, which contemplate an operating situation similar to the current one, as there are no plans to dismantle plants or other substantial modifications.

- Market discount factor (WACC): equivalent to 9.

- Forecast annual inflation of 3.7% in the projection period

- Annual volume of milling envisaged and estimated production of sugar and alcohol for the 2007/08 crop: 6,000,000 Tn, 570,000 Tn and 154,000 m3, respectively.

In order to determine the purchase price, the corresponding sensibility analysis was performed which identified the sugar price and the Real/Dolar exchange as the most sensible external variables.

The main impacts on the balance sheet at 30 September 2007 are as follows (consolidated data, expressed in thousands of euros in all cases):

| | Book Value | Reasonable Value |
|---|---|---|
| Intangible assets of share-farming contracts | - | 5,255 |
| Intangible assets of biomass cogeneration plants | - | 53,915 |
| Non-current assets | 183,111 | 183,111 |
| Short-term financial investments and cash | 21,438 | 21,438 |
| Other current assets | 63,182 | 67,292 |
| Current and non-current liabilities | (516,160) | (516,159) |
| **Reasonable valuable of the net assets acquired** | **(248,429)** | **(185,148)** |
| **Goodwill in the acquisition** | **-** | **427,264** |
| **Purchase price** | **-** | **242,116** |

The two main factors that justify the goodwill recognition, is first that Abengoa considers the investment as strategic, considering that Brazil is one of the mayor bioethanol world market, and second the significant growth due to the existing synergy's using the international markets and the Abengoa's Bioenergy cellulose biothanol technology along with the agricultural, productive activities and local distribution markets.

At the date of acquisition, the close of the financial year of all the companies of the Dedini Agro group was the 30th of April (coinciding with the start of the harvest, which runs from May to December each year), so the consolidated information required for the valuation of the assets and liabilities involved on the date of the takeover (30th of September 2007) had to be obtained by carrying out an interannual close on that date, in accordance with accountancy criteria consistent with those applied for regular close of financial year (GAAP in Brazil). For the purposes of their incorporation into the consolidated annual accounts of Abengoa, it is necessary to reformulate these intermediate financial statements in accordance with International Financial Reporting Standards (IFRS), valuing all the assets and liabilities susceptible to accountancy acknowledgement in accordance with the estimated reasonable value.

With effect at close of Abengoa's consolidated accounts on the 31st of December 2007, the concatenation of these dates, so close to the end of the financial year, and the difficulties inherent in obtaining and processing all the relevant information associated with the preparation of the information necessary to carry out the accounting consolidation, make it impossible to have complete and audited documentation on dates coinciding with the corporate close, and so the entity has been obliged to introduce into its consolidated accounts the information referring to the 30th of September 2007 (coinciding with the takeover), and also to incorporate the best estimations associated with the determination of the reasonable value of the assets and liabilities involved, in particular with regard to the analysis and valuation of forward contracts for the sale and purchase of products or raw materials at pre-determined prices, as well as the share-farming contracts with third parties.

In order to offset these impacts, Abengoa has, in its consolidated annual accounts, adopted the following measures, on the understanding that this will lead to a more precise, truer image of the entity's situation:

- Incorporation of the accounts of the companies acquired (the Dedini Agro group) in accordance with the consolidated accountancy amounts existing on the 30th of September 2007, adjusted in accordance with the application of international accounting standards and the valuation of the assets and liabilities (tangible and intangible) in accordance with the reasonable value on the date of control.

- A prevision is incorporated of the results it is understood are applicable to the period of management by the Abengoa group, that is, from the 30th of September to the 31st of December 2007 (which is quantified as a loss of € 7.3 millions); this estimation is structured in accordance with a new inter-monthly close on that date in accordance with Brazilian GAAPs, to which similar adjustments and valuations are applied to convert them into IFRSs, which are used for this conversion on the date of the takeover. Due to the aforementioned problems, it has not been possible to obtain a reasonable estimation of Dedini's net profit, considered it had joined the group at the beginning of the year.

- The contracts resulting from the regular activity of the companies that form part of the Dedini Agro group up to the date of the takeover include aspects that correspond to agreements of a verbal nature or ones which are not perfectly documented, in particular in relation to the share-farming system and the commitments for the sale/purchase of cane/sugar and additional associated compensations, which require special analysis and evaluation, and which will involve potential adjustments that are expected to be definitively made during 2008 financial year.

- Provisionally, and solely for the purposes of the information by segments, the total of the investment is allocated at close of financial year on the 31st of December 2007 to the bioenergy segment. During the next financial year, this allocation by segments may require additional clarifications, which could even require the redefinition of a sector, in so far as the agricultural sector can be considered relevant, as well as restructurings of the business models in Brazil, and may involve some additional reclassification between segments, which in any case it is understood will not be significant.

- The consolidated accounts of financial year 2008 will include the 12 months from the 1st of January to the 31st of December 2008, for which the estimation made of the activity during the period of management by Abengoa (4th quarter of 2007) will be adjusted, and the amounts of the assets and liabilities incorporated into the consolidated accounts at close of 2007, by means of line-by-line adaptation of the 2007 accounts to facilitate comparability, though in any case it is expected that there will be no significant difference in relation to the consolidated net worth, results or situation.

The results of the period of management by Abengoa, from the time of the takeover of the companies of the Dedini group, have given rise to the recognition of the previous loss as a result of the following summary information:

- Cane milled during the period: 1.5 Tn (forecast 1.8 Tn).
- ATR (sugar production): 142 Kg/Tn (forecast 143 Kg/Tn).
- Average price of the sugar sold to third parties in closed operations: internal market R$ 19.50 per sack and external market R$ 26 per sack (forecast: R$ 26 and R$ 32 per sack, respectively).
- Quantity of sugar sold in the period: internal market 1.2 million sacks and external market 1.02 millions sacks (forecast 1.8 and 1.0 millions sacks, respectively).
- Average price of the alcohol sold to third parties in closed operations: R$ 0.67 per litre (forecast R$ 0.71 per litre).
- Cost of transformation, transport and sale (including the costs of share-farming): 111% of sales (forecast 88%).
- Administration cost: 10% of sales (forecast 7%).
- Net financial cost borne, including exchange rate differences: 26,477 thousand euros (forecast 21,907 thousand euros).

6.4.2. Acquisition of Abencs.

The company Abener Energía, S.A., which belongs to Abeinsa, leading company of the business group Ingeniería y Construcción Industrial de Abengoa, agreed with MECS, Inc the acquisition of 51% of a newly-created joint company, to operate under the name Abencs.

The main activity of this new company is to be engineering and construction of biofuel and renewable energy plants. Abencs will incorporate the team of professionals for turnkey projects from the offices in Saint Louis (USA) and in Mumbai (India).

This purchase was made effective in February 2007. Therefore, 28 February 2007 has been taken as a reference date for determining the Goodwill to be integrated into the consolidation perimeter. The acquisition value of the stake in Abencs has increased to € 11,802 thousands.

In compliance with that set forth in IFRS 3 on combinations of businesses, the Administrators carried out an analysis for assignment of the purchase price. When it came to assigning the purchase price, all those factors that were considered when determining it were taken into account. After the analysis was carried out, the purchase price was finally assigned to the generation of cash by the cash units which were defined for the purposes of the calculation, as it was concluded that there were no other factors, such as revaluations of tangible assets, intangible assets not recognised in the balance sheet, or goodwill assignable to client portfolios or others.

The impact on the balance sheet for February 2007 was not significant, since this is a newly-created company.

In order to determine future cash flows, the cash flows based on the quotes given by the company have been taken into account. These consider the development of a series of engineering and construction of biofuel and renewable energy plant projects for the forthcoming financial years. The Discount factor (WACC) considered is the one used, standing at between 6% and 9%.

6.4.3. Acquisition of Matchmind.

In October 2007, the company Telvent Outsourcing, S.A., which belongs to Telvent GIT, S.A, the head company of the Information Technologies Business Group, agreed to acquire Matchmind over a period of three years. This company was founded in 2002 and offers technological and strategic consultancy services, outsourcing and the development, implementation and management of ERPS (Enterprise Resource Planning Systems) for a wide range of companies in different sectors (financial, distribution, telecommunications, technology, public administrations, etc.).

During phase one, Telvent acquired 58 percent of Matchmind, for € 23 millions, while the Matchmind management took a 40 percent stake and the founder and former chairman of Matchmind retained two percent. Telvent will acquire the remaining 42 percent of Matchmind in another three phases: 12, 10 and 20 percent, coinciding with the close of financial years 2008, 2009 and 2010, respectively. The price to be paid for each of these increases in its stake will be on the basis of attainment of the Ebitda objectives for the aforementioned financial years, in accordance with Matchmind's strategic plan.

This purchase was made effective in October 2007. Therefore, 31 October 2007 has been taken as a reference date for determining the Goodwill to be integrated into the consolidation perimeter.

In compliance with that set forth in IFRS 3 on business combinations, the Administrators are currently carrying out an analysis for the allocation of the purchase price. On 31 December 2007, the difference between the purchase price and the net book value of the assets and liabilities acquired was entirely allocated to goodwill.

If Matchmind has joined the group by the 1st of January 2007, it would have contributed with a net turnover of € 71,662 thousands and a net profit after taxes of 2,546 thousands.

6.5. As indicated in Note 2.5, Abengoa has in place a procedure whereby, at the close of each financial year, possible impairment of goodwill is analysed.

The recoverable amount is the higher one between market value less selling costs and current use value, this being the present value of estimated future cash flows.

In order to calculate the value of the main goodwill, the hypotheses used were as follows:

- Financial projections for future company flows are used, calculating a residual value based on the flow from the latest year projected, so long as that flow is representative of a standardised flow, and applying a constant growth rate which may in no cases be greater than that estimated in the long term for the market in which this company operates.

- However, in the majority of cases the financial structure of these companies is linked to the overall structure of the Group, for the discounted cash flows a discount rate is used based on weighted average cost of capital for this type of asset, corrected where appropriate depending on the added risk which a specific type of activity may entail.

- In any case, and in addition, sensitivity analyses care carried out, particularly in relation to the discount rate used and the residual growth rate, in order to ensure that possible changes in estimating them do not have repercussions on the possible recovery of recorded goodwill.

The aforementioned valuation criteria have resulted in the discount rates used to calculate impairment tests standing at between 6% and 9%.

With regard to the rest of goodwill, at the end of the financial year, estimates have been made of the recoverable amount of the Cash Generation Units (CGU) to which they have been allocated in conformity with what described in Note 2.7, not having been necessary to record impairment losses.

**Note 7.- Tangible Fixed Assets.**

7.1. The statement and movements for the 2006 and 2007 financial years regarding the different categories of tangible fixed assets are given the following table:

| Cost | Land and Buildings | Technical Installations and Machinery | Advances and Fixed Assets in Progress | Other Fixed Assets | Total |
|---|---|---|---|---|---|
| Balances as of 31 December 2005 | 187,697 | 513,088 | 27,306 | 145,833 | 873,924 |
| Increases | 24,792 | 40,283 | 26,866 | 916 | 92,857 |
| Decreases | - | (14,156) | - | (3,242) | (17,398) |
| Other movements | 4,734 | 51,013 | (8,830) | (226) | 46,691 |
| **Balances as of 31 December 2006** | **217,223** | **590,228** | **45,342** | **143,281** | **996,074** |
| Increases | 36,503 | 30.958 | 67,769 | 14,156 | 149,385 |
| Decreases | (4,890) | (5,300) | (7,908) | (2,358) | (20,456) |
| Other movements | 24,066 | 113,772 | 16,980 | 80,979 | 235,798 |
| **Balances as of 31 December 2007** | **272,902** | **729,658** | **122,183** | **236,058** | **1,360,801** |

| Accumulated depreciation | Land and Buildings | Technical Installations and Machinery | Advances and Fixed Assets in Progress | Other Fixed Assets | Total |
|---|---|---|---|---|---|
| Balances as of 31 December 2005 | (20,729) | (236,248) | - | (74,224) | (331,201) |
| Increases | (2,767) | (29,993) | - | (4,815) | (37,575) |
| Decreases | 26 | 13,977 | - | 1,853 | 15,856 |
| Other movements | (508) | (1,682) | - | (1,219) | (3,409) |
| **Balances as of 31 December 2006** | **(23,978)** | **(253,946)** | **-** | **(78,405)** | **(356,329)** |
| Increases | (2,792) | (29,860) | - | (8,191) | (40,842) |
| Decreases | - | 3,042 | - | 835 | 3,877 |
| Other movements | (8,465) | (56,780) | - | (31,401) | (96,646) |
| **Balances as of 31 December 2007** | **(35,235)** | **(337,543)** | **-** | **(117,162)** | **(489,940)** |
| | | | | | |
| **Net Balances at 31 December 2007** | **237,667** | **392,115** | **122,183** | **(118,896)** | **870,861** |

The increases corresponding to financial year 2007 refer, in general, to assets related to solar and bioenergy activities.

In general, the amounts corresponding to "Other Movements" show the inclusion of certain companies considered as Project companies in previous fiscal years, balance reclassifications, as well as regularisations between definitive balances from the previous financial year of individual companies regarding those provided for consolidation and the effects of the rates of exchange. The most significant amount corresponds to the entry into the perimeter of Abengoa Bioenergía Sao Paulo.

7.2. The fixed assets not used in operations are not significant at the end of the 2007 financial year.

7.3. It is the companies' policy to take out all the insurance policies considered necessary for covering the possible risks that might affect the Tangible Fixed assets.

7.4. In compliance with the agreements laid down in the town planning collaboration agreement by and between the town planning department of Seville, Iniciativas de Bienes Inmuebles, S.A. (IBISA) and Abengoa, S.A. on 1 March 2004, at the end of the 2005 financial year the group company Centro Tecnológico Palmas Altas, S.A. (CTPA) acquired land owned by IBISA amounting to € 31 millions. The said amount corresponded to that for which IBISA acquired the land from Abengoa, S.A. in 2002 (amounting to € 28,858 thousands) plus costs, which were basically financial, attributable to the value of the land from that date. During financial year 2007, this land was sold by Abengoa to an independent third party. This transaction meant a profit recorded in this financial year of € 15,675 thousands, once the sale was materialised, has been received in full and is registered at the Registry of Companies.

On 21 December 2005, CTPA carried out an exchange with the City Hall of Seville whereby it acquired 80.94% of the ownership of land in Palmas Altas to install a Technology Centre in exchange for the urban use of 14,480.76 square metres of its land included in the above mentioned land. The valuation of the exchanged assets totals € 17,940 thousands.

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

By virtue of the commitments assumed by IBISA and Abengoa, CTPA shall complete the construction of the Technology Centre in the maximum term of three years from when the definitive works license is awarded, which will be obtained once the public deed and registration of that land have been completed.

**Note 8.- Project Finance.**

As indicated in Note 2.4 of this bill of costs, stakes in different companies are to be found in the consolidation perimeter, their company purpose being, generally, the development of an integrated product, consisting of the design, construction, financing, running and maintenance of an owned or awarded project.

In this Note to the Consolidated Financial Statements, it is endeavoured to provide both details of the fixed assets assigned to the aforementioned projects, and other relevant information relating to the aforementioned assets (excluding details of non-recourse financing applied to the aforementioned projects, as communicated in Note 23 of this consolidated bill of costs).

8.1. The statement and movements for the 2007 and 2006 financial years of the intangible assets are as follows:

| Intangible assets | Balance as of 31.12.06 | Increases | Decreases | Other movements | Balance as of 31.12.07 |
|---|---|---|---|---|---|
| Intangible assets | 803,423 | 414 | (1,805) | 109,570 | 911,602 |
| Accumulated depreciation | (23,863) | (23,864) | - | (2,611) | (50,338) |
| **Net Intangible Asset Balances** | **779,560** | **(23,450)** | **(1,805)** | **106,959** | **861,264** |

| Intangible assets | Balance as of 31.12.05 | Increases | Decreases | Other movements | Balance as of 31.12.06 |
|---|---|---|---|---|---|
| Intangible assets | 419,359 | 360,784 | (27,758) | 51,038 | 803,423 |
| Accumulated depreciation | (11,824) | (11,600) | 396 | (835) | (23,863) |
| **Net Intangible Assets Balances** | **407,535** | **349,184** | **(27,362)** | **50,203** | **779,560** |

The heading "Other Movements in Tangible Fixed Assets" includes both the transfer from tangible fixed assets to the intangible assets of the products integrated once the construction and commencement phase has ended (See Note 2.24) and the outgoings of certain companies not considered Projects companies in this financial year and the effects of the rates of exchange.

Intangible Assets include the amount invested in the “Development of Plants with high-performance thermo-electric solar technology” which at 31 December 2007 has a sum of € 56.5 millions (for further details of the investment in Development see Note 6.2).

8.2. The statement and movements for the 2006 and 2007 financial years regarding the different categories of tangible fixed assets in projects are as follows:

| Cost | Land and Buildings | Technical Installations and Machinery | Advances and Fixed Assets in Progress | Other Fixed Assets | Total |
|---|---|---|---|---|---|
| Balances as of 31 December 2005 | 1,300 | 97,161 | 206,747 | 931 | 306,139 |
| Increases | 23,709 | 68,280 | 65,010 | 11,733 | 168,732 |
| Decreases | - | (93) | - | - | (93) |
| Other movements | (936) | (16,354) | (48,628) | 27,040 | (38,878) |
| **Balances as of 31 December 2006** | **24,073** | **148,994** | **223,129** | **39,704** | **435,900** |
| Increases | 23,771 | 22,156 | 250,053 | 30,827 | 326,807 |
| Decreases | (23) | (1,046) | (5,839) | (287) | (7,195) |
| Other movements | 3,208 | 41,351 | 47,246 | 48,485 | 140,290 |
| **Balances as of 31 December 2007** | **51,029** | **211,454** | **514,590** | **118,728** | **895,802** |

| Accumulated depreciation | Land and Buildings | Technical Installations and Machinery | Advances and Fixed Assets in Progress | Other Fixed Assets | Total |
|---|---|---|---|---|---|
| Balances as of 31 December 2005 | (230) | (31,143) | - | (534) | (31,907) |
| Increases | (257) | (4,382) | - | (648) | (5,287) |
| Decreases | - | 35 | - | - | 35 |
| Other movements | (9,109) | (14,627) | - | (7,658) | (31,394) |
| **Balances as of 31 December 2006** | **(9,596)** | **(50,117)** | **-** | **(8,840)** | **(68,553)** |
| Increases | (1,438) | (10,385) | - | (5,032) | (16,854) |
| Decreases | - | - | - | - | - |
| Other movements | (2,783) | (37,181) | - | 6,443 | (33,520) |
| **Balances as of 31 December 2007** | **(13,816)** | **(97,682)** | **-** | **(7,429)** | **(118,927)** |
| | | | | | |
| **Net Balances at 31 December 2007** | **37,213** | **113,772** | **514,590** | **111,300** | **776,875** |

The heading "Other Movements in Tangible Fixed Assets" includes both the transfer from tangible fixed assets to the intangible assets of the products integrated once the construction and commencement phase has ended (See Note 2.24) and the outgoings of certain companies not considered Projects companies in this financial year and the effects of the rates of exchange.

In addition, the variations in Advances and Fixed Assets in Progress for € 250.053 thousands correspond basically to the construction of the transmission line Pará-Tocantins, a company in preoperational phase (See Note 23.4) and, in accordance with the above, to the reclassification of the projects in progress in previous years and which this year are considered as an intangible asset once their construction is finished.

8.3. The Equity details provided by the projects by Business Group at the close of the 2007 financial year are as follows:

| Business Group | Total Equity |
|---|---|
| Solar | 29,259 |
| Bioenergy | 123,066 |
| Environmental Services | 94,592 |
| Information Technologies | 14,157 |
| Industrial construction and engineering | 444,802 |
| Corporate Activity and Adjustments | 13,594 |
| **Total** | **719,470** |

8.4. The sum of cash and equivalent of cash corresponding to companies relating to Project financing increase to € 477.438 thousands (€ 248,284 thousands in 2006).

**Note 9.- Investments in Associated Companies.**

9.1. The investments in associated companies during the 2006 financial year were the following:

| Company | Balance as of 31.12.05 | Yearly allocation | Other movements | Balance as of 31.12.06 |
|---|---|---|---|---|
| Agua y Gestión de Servicios Ambientales, S.A. | 6,593 | 1,198 | (1) | 7,790 |
| Cogeneración del Sur, S.A. | 230 | (59) | (160) | 11 |
| Cogeneración Motril, S.A. | 4,166 | 405 | (429) | 4,142 |
| Deydesa 2000, S.L. | 7,210 | 518 | 48 | 7,776 |
| Ecología Canaria, S.A. (Ecansa) | 873 | 32 | (30) | 875 |
| Expansion Transmissao de Energía Eléctrica, Ltda. | 10,430 | 3,446 | (3,255) | 10,621 |
| Expansion Transmissao Itumbiara Marimbondo, Ltda. | 6,298 | 1,222 | (1,210) | 6,310 |
| Intersplav | 2,741 | - | 135 | 2,876 |
| Inversiones Eléctricas Transam Chile Limitada | 5,032 | 343 | (276) | 5,099 |
| Tenedora de Acciones de Red Eléctrica del Sur, S.A. | 6,129 | 463 | 451 | 7,043 |
| Other companies | 334 | (36) | (239) | 59 |
| **Total** | **50,036** | **7,532** | **(4,966)** | **52,602** |

9.2. The investments in associated companies during the 2007 financial year were the following:

| Company | Balance as of 31.12.06 | Yearly allocation | Other movements | Balance as of 31.12.07 |
|---|---|---|---|---|
| Agua y Gestión de Servicios Ambientales, S.A. | 7,790 | 726 | 185 | 8,701 |
| Cogeneración del Sur, S.A. | 11 | (311) | (620) | (298) |
| Cogeneración Motril, S.A. | 4,142 | 108 | (257) | 3,993 |
| Deydesa 2000, S.L. | 7,776 | - | (7,776) | - |
| Ecología Canaria, S.A. (Ecansa) | 875 | 136 | (2) | 1,009 |
| Expansion Transmissao de Energía Eléctrica, Ltda. | 10,619 | 3,795 | (3,644) | 10,770 |
| ABG Servicios Medioambientales, S.A. | - | - | 1,051 | 1,051 |
| Chennai Water Desalination Limited | - | - | 3,036 | 3,036 |
| Geida Tlemcen, S.L. | - | - | 3,271 | 3,271 |
| Hospital El Tajo | - | - | 1,727 | 1,727 |
| Expansion Transmissao Itumbiara Marimbondo, Ltda. | 6,310 | 1,775 | (1,042) | 7,043 |
| Intersplav | 2,876 | (2,741) | (135) | - |
| Inversiones Eléctricas Transam Chile Limitada | 5,099 | 26 | 1,212 | 6,337 |
| Redesur | - | 468 | 4,366 | 4,834 |
| Tenedora de Acciones de Red Eléctrica del Sur, S.A. | 7,043 | - | (7,043) | - |
| Other companies | 59 | 261 | (1,649) | (1,329) |
| **Total** | **52,600** | **4,243** | **(6,698)** | **50,145** |

The most significant movements in the financial year correspond to the way out and new incorporations of companies related to environmental activities.

The amount of the holdings corresponding to companies located outside Spain totals € 33,962 thousands (€ 31,947 thousands in 2006).

## Note 10.- Financial Assets at Fair Value with Changes in Results.

10.1. The financial assets at fair value with changes in results during the 2006 and 2007 financial years are as follows:

| | |
|---|---|
| **At 31 December 2005** | **122,768** |
| Entries | - |
| Disposals | (61,471) |
| Adjustment at fair value | 16,445 |
| Exchange differences | - |
| **At 31 December 2006** | **77,742** |
| Entries | - |
| Disposals | (77,742) |
| Adjustment at fair value | - |
| Exchange differences | - |
| **At 31 December 2007** | **-** |
| Less: Non-current part | - |
| Current part | - |

10.2. The financial results heading of the income statement includes the net profits obtained from the sale of securities listed on an organised secondary market for the approximate amount of € 4,525 thousands.

**Note 11.- Financial Assets Available for Sale.**

11.1. The financial assets available for sale during the 2005 in 2006 financial years are as follows:

| | |
|---|---|
| **At 31 December 2004** | **32,793** |
| Entries | 52,685 |
| Disposals | (5,186) |
| **At 31 December 2005** | **80,292** |
| Entries | 48,121 |
| Disposals | (10,103) |
| **At 31 December 2006** | **118,310** |
| Less Non-current part | 56,388 |
| Current part | 61,922 |

During 2006 and 2007, there were no provisions for impairment losses in the financial assets available for sale.

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

11.3. The following is a list of the companies which, in accordance with current standards, have not been included in the Consolidation Perimeter for the 2007 and 2006 financial year (See Note 2.2) and in which the level of direct and indirect participation of the parent company is greater than 5% and lower than 20%, where the net book value of the aforementioned holdings is € 16,474 thousands.

| Long-Term Securities | 2007 % Shareholding | 2006 % Shareholding |
|---|---|---|
| Banda 26, S.A. | 12.00 | 12.85 |
| Dyadic Investment | 10.00 | 10.00 |
| Grupo S21 SEG Gestión, S.A. | 15.00 | 5.00 |
| Holding Estructuras | - | 5.00 |
| Jeffco Partnership | 5.00 | - |
| Nextell Communication Solutions, S.A. | 10.00 | 10.00 |
| Norpost, S.A. | 10.00 | 10.00 |
| 02 Diesel | 13.00 | 13.00 |
| Soc. Con. Canal Navarra | 10.00 | 10.00 |
| Sociedad Valoración Biomasa | 9.00 | - |
| Viryanet, Ltd. | 15.10 | 18.69 |

| Short-Term Securities | 2007 % Shareholding | 2006 % Shareholding |
|---|---|---|
| BC International Corp. | 9.90 | 9.90 |
| Chekin | 14.28 | 14.28 |
| Comeesa | 6.08 | 6.08 |
| Mediación Bursátil, S.V.B., S.A. | 8.00 | 8.00 |

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

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

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

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

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

11.9. On December 30, 2002, Telvent GIT, S.A. a subsidiary of Abengoa, S.A. and parent company of the Information Technologies Business Group, acquired a 3.71% share in Xfera, S.A. for an amount of € 25,000 thousands.

At present, this holding is 3%, reflected at its net cost of € 33,275 thousands and is retained in the group under the ownership of Telvent Investments, S.A. (a holding company 100% owned by Abengoa, S.A.).

In addition, the Shareholders in Xfera have granted said company various equity loans in accordance with a pre-established plan, which meant a total outlay by Telvent during 2006 and 2007 of € 10,720 thousands, equivalent to 3% of the total amount lent to the company by its shareholders.

The valuation of the shareholding in previous years took into account the premium paid in the price as implicit goodwill, in accordance with IAS 22 and IAS 38. This goodwill was amortized against the income recorded as materialisation of induced business (third-party demand for the services that Abengoa estimated it could supply through the companies associated with this shareholding). Furthermore, there was a bank surety from IC in the amount of 31 million euros intended to cover the possible damages arising out of the failure of Xfera's commercial launch. In the 2007 financial year, which was the first financial year since the start of Xfera's activity under the trade name Yoigo, the main reference used in valuing the investment was the company's generation of cash flows, based on its current business plan. This valuation method, taken in isolation, bears the cost of the investment at market value at 31 December 2007, a decision that is further strengthened with the capital gains that will be generated by the induced business mentioned earlier.

At the end of 2007 financial year, following the successful commercial launch of Xfera, Abengoa has returned the aforementioned surety to IC.

As a consequence of the acquisition of its stake in Xfera, Telvent GIT, S.A., immediately took charge of guarantees in regard of the Spanish Administration for fulfilment of the investment, commercialisation, use and network development commitments acquired by Xfera Móviles, S.A., together with other sureties in connection with the radioelectric spectrum charge that the group has to counter-guarantee in the total amount of € 11,665 thousands.

**Note 12.- Financial Instruments Deriving from hedging.**

12.1. The current hedging financial instruments at 31 December 2007 and 2006 are as follows:

| Item | 31.12.07 | | 31.12.06 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Contracts of interest rate-cash flow hedge | 64,491 | - | 29,641 | - |
| Contracts of interest rate-fair value hedge | - | - | | |
| Deferred foreign currency contracts-cash flow hedge | 19,963 | 2,729 | 1,141 | 1,836 |
| Deferred foreign currency contracts-fair value hedge | - | - | - | - |
| Deferred inventory contracts-cash flow hedge | 40,328 | 11,727 | - | 45,658 |
| Deferred inventory contracts-fair value hedge | - | - | - | - |
| **Total** | **124,782** | **14,456** | **30,782** | **47,494** |

In addition, in non-current assets and liabilities there are forward contracts to cover stock to the value of € 695 thousands and 9,769 thousands respectively.

12.2. As referred to in Note 3.d) of the bill of costs, the general cover policy for the interest rate is based on taking out options in exchange for a premium (purchase of call option) by means of which the company ensures payment of a maximum fixed interest rate. In addition and under certain conditions, the company uses swaps at variable to fixed interest rates.

As a result, the notional bonds covered, strikes taken out and expiry for 2007 and 2006, depending on the characteristics of the debt, the interest-rate risk of which is being covered, are very different, and are as follows

1) Loans with credit entities; cover of between 80 and 100% of the notional bonds, with maturity in 2017 and with average guaranteed rates between 2.86% and 4.75%.

2) Non-recourse financing:

    2.1) Non-recourse financing in euros; cover of between 75 and 100% of the notional bonds, with maturity in 2030 and with average guaranteed rates between 2% and 5.75%.

    2.2) Non-recourse financing in US dollars; cover of between 50 and 100% of the notional bonds, with maturity in 2023 and with average guaranteed rates between 4.50% and 8%.

In addition, there are live factoring covers in euros for between 80% and 100% of the amount, with maturity in 2011 and with guaranteed rates between 3.18% y un 4.75%.

12.3. The details are shown below of the financial instruments deriving from charges and payments in foreign currency at the close of the 2007 and 2006 financial years:

| Exchange rates | Cover of Charges | | Cover of Payments | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Bath (Thailandia) | - | 2,344 | - | 513 |
| Dinar (Jordan) | 609 | 767 | - | - |
| Dirhams (Arab Emirates) | 514 | - | - | - |
| Dirhams (Morocco) | 2,416 | 2,461 | - | - |
| Dollar (Canada) | - | 702 | 1,210 | 248 |
| Dollar (USA) | 27,431 | 37,535 | 345,771 | 62,643 |
| Euro | 73,652 | 237 | 5,814 | 23,738 |
| Franc (Switzerland) | - | - | 2,159 | - |
| Pound (United Kingdom) | - | - | 19 | - |
| Qatari (Qatar) | 5,287 | 2,867 | - | - |
| Real (Brazil) | - | 1,840 | - | - |
| Yen (Japan) | 234 | 2,338 | - | - |
| Yuan (China) | - | - | 1,548 | - |
| **Total** | **110,143** | **51,091** | **356,521** | **87,142** |

12.4. Regarding cover of stock contracts, as indicated in Note 2.9 of the bill of costs of the Abengoa annual accounts for the financial year closing in 2007, indicate that different Abengoa activities by way of its Business Groups (Bioenergía, Servicios Medioambientales and Ingeniería y Construcción Industrial) expose the group to risks deriving from the fair values of specific assets and supplies (zinc, aluminium, grain, ethanol and gas for the most part). In order to cover these, Abengoa uses futures contracts on the aforementioned assets and supplies.

Below the details are shown of the amounts guaranteed and maturity of the financial instruments deriving from commodities at the close of the 2007 and 2006 financial years:

| 2007 | Ethanol (Gallons) | Gas (MWh) | Grain (Bushels) | Zinc (Tons) | Aluminium (Tons) |
|---|---|---|---|---|---|
| Year 2007 | 42,720,000 | 3,167,228 | 50,779,827 | 63,160 | 6,105 |
| Following years | 3,300,000 | 577,349 | 21,540,000 | 232,900 | 3,100 |
| **Total** | **46,020,000** | **3,744,577** | **72,319,827** | **296,060** | **9,205** |

| 2006 | Ethanol (Gallons) | Gas (MWh) | Grain (Bushels) | Zinc (Tons) | Aluminium (Tons) |
|---|---|---|---|---|---|
| Year 2006 | 23,125,000 | 1,625,233 | 12,900,000 | 71,229 | 6,650 |
| Following years | 14,405,000 | 163,142 | 5,985,000 | 296,060 | 9,200 |
| **Total** | **37,530,000** | **1,788,375** | **18,885,000** | **367,289** | **15,850** |

**Note 13.- Inventories.**

13.1. At 31 December 2007 and 2006, the inventories were as follows:

| Item | Amount at 31.12.07 | Amount at 31.12.06 |
|---|---|---|
| Goods for resale | 30,404 | 4,031 |
| Raw materials and other supplies | 64,187 | 52,046 |
| Work in progress and semi-finished products | 1,821 | 3,171 |
| Projects in progress | 42,614 | 40,008 |
| Finished products | 81,908 | 41,206 |
| Advance payments | 21,517 | 10,275 |
| **Total** | **242,451** | **150,737** |

The amount of the inventories corresponding to companies located outside Spain totals € 124,197 thousands (€96,728 thousands in 2006).

The amount at the close of the 2007 financial year of stock corresponding to the stake in Clean Development Mechanisms (CDM) and Joint Action (JA) projects with those which will be obtained by Carbon Emission Credits (CEC) and Emission Reduction Units (ERU) increases to € 2,404 thousands.

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

**Note 14.- Clients and Other Accounts Receivable.**

14.1. The breakdown of the Clients and Other Accounts Receivable at 31 December 2007 and 2006, is as follows:

| Item | Balance as of 31.12.07 | Balance as of 31.12.06 |
|---|---|---|
| Clients for sales | 555,540 | 554,460 |
| Clients, work executed pending certification | 590,246 | 159,954 |
| Provisions for insolvencies | (25,707) | (6,960) |
| Public Administrations | 190,960 | 185,620 |
| Sundry Other Debtors | 109,821 | 88,979 |
| **Total** | **1,420,860** | **982,053** |

14.2. The company has non-recourse factoring lines for a sum of approximately 1,500 M Euros (1,200 M Euros in 2006) of which approximately 488 M Euros were factored at the close of the 2007 financial year (470 M Euros in 2006) and removed pursuant to the provisions of IAS 39.

**Note 15.- Financial Accounts Receivable.**

The details of the financial accounts receivable at 31 December 2007 and 2006 are as follows:

| Item | Balance as of 31.12.07 | Balance as of 31.12.06 |
|---|---|---|
| Credits | 97,646 | 44,124 |
| Deposits | 359,554 | 118,364 |
| Downpayments and deposits | 66,290 | 215,063 |
| Other future accounts receivable | 5,739 | 7,940 |
| **Total** | **529,229** | **385,491** |
| Non-current part | 118,791 | 45,481 |
| Current part | 410,438 | 340,010 |

The market value of these assets does not differ substantially from the book value.

**Note 16.- Cash Equivalents and Cash.**

The cash and bank balance at 31 December 2007 totals € 1,697,889 thousands (€ 1,027,972 thousands in 2006), which represent availabilities of liquid cash means and balances in favour of companies in the group in current accounts immediately available in banks and credit institutions.

Of the said amount, € 1,155,207 thousands (€ 747,503 thousands in 2006) corresponds to companies located in Spain and € 542,682 thousands (€ 280,469 thousands in 2006) to companies located abroad.

As is indicated in Note 8.4 of this report, the sum of cash and cash equivalents corresponding to companies related to project financing is € 477,438 thousands (€ 248,284 thousands in 2006).

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

| | 31.12.07 | | 31.12.06 | |
|---|---|---|---|---|
| **Currency** | **Spanish companies** | **Foreign companies** | **Spanish companies** | **Foreign companies** |
| Euro | 1,095,082 | 138,379 | 688,203 | 106,127 |
| American dollar | 52,985 | 186,576 | 40,161 | 85,463 |
| Canadian dollar | - | 3,564 | 170 | 752 |
| Swiss franc | - | 142 | 300 | 125 |
| Pound sterling | 67 | 57 | 7 | 44 |
| Argentinean peso | 472 | 724 | 164 | 2,195 |
| Chilean peso | - | 3,786 | - | 3,294 |
| Mexican peso | 160 | 4,476 | 312 | 1,764 |
| Brazilian real | - | 182,609 | - | 76,417 |
| Others | 6,441 | 22,369 | 18,186 | 4,288 |
| **Total** | **1,155,207** | **542,682** | **747,503** | **280,469** |

## Note 17.- Share Capital.

The share capital at 31 December 2007 is € 22,617,420, made up of 90,469,680 ordinarily shares in a single series and class, or with identical economic and voting rights, with a unit par value of € 0.25, fully subscribed and paid in. All the shares are represented by accounting entries and are admitted to official trading on the stock markets of Madrid, Barcelona and the stock exchange linkup (official stock market) as from 29 November 1996.

In accordance with the notifications received by the company in compliance with the provisions laid down in current regulations governing the obligation to notify shareholdings and in accordance with information provided additionally by associated companies, the significant shareholders at 31 December 2007 are as follows:

| Shareholders | % Holding |
|---|---|
| Inversión Corporativa IC, S.A. (*) | 50.00 |
| Finarpisa, S.A. (*) | 6.04 |

(*) Corporate Investment Group.

The Ordinary General Shareholders Meeting of Abengoa, S.A. on 15 April 2007 authorised the Board of Directors as follows:

1.- To increase the share capital once or more to the figure of € 11,308,710, equivalent to fifty per cent of the share capital at the moment of the authorisation, within a maximum term of five years.

2.- To extend the agreement of issue of bonds which may be converted or not, into shares to € 261,585 thousands in a maximum term of five years counted from 26 April 2009

3.- To approve the issue of other securities that recognise or create a debt or contribution of capital within the legal limits applicable in each case.

4.- To acquire own shares within the legal limits for a price of between € 0.03 and € 120.20 per share within the maximum term of 18 months.

Abengoa's Extraordinary General Meeting of Shareholders of 16 October 2005 authorised the Board of Directors to approve a Plan for the Acquisition of Shares by Executives of the Company (henceforth called the "Plan") aimed at Abengoa Managers (directors of business groups, directors of business units, technical and R&D&i managers and corporate service managers) belonging to all its subsidiaries and business divisions, present or future, who voluntarily wish to participate in it, not extensive to any member of the Board of Directors of Abengoa. Those to whom the Plan applies will be able to access a bank loan for the purchase of Abengoa shares at market value, in accordance with article 81.2 of the Limited Companies Act and up to a maximum of € 87 millions. The term of repayment of the loan will be approximately 5 years. The volume of shares is up to 3,200,000, representing 3.53% of the company's share capital. The Plan was implemented in February 2006.

## Note 18.- Parent Company Reserves.

18.1. The amount and movement of the accounts that form part of the Parent company reserves heading during the 2006 and 2007 financial years are as follows:

| Item | Balance as of 31.12.05 | Distribution results 2005 | Other movements | Balance as of 31.12.06 |
|---|---|---|---|---|
| Share issue premium | 110,009 | - | - | 110,009 |
| Revaluation reserve | 3,679 | - | - | 3,679 |
| Other parent company reserves: | | | | |
| - Distributable | 108,411 | 56 | (1) | 108,466 |
| - Non-distributable | 4,523 | - | - | 4,523 |
| **Total other reserves** | **226,622** | **56** | **(1)** | **226,677** |

| Item | Balance as of 31.12.06 | Distribution results 2005 | Other movements | Balance as of 31.12.07 |
|---|---|---|---|---|
| Share issue premium | 110,009 | - | - | 110,009 |
| Revaluation reserve | 3,679 | - | - | 3,679 |
| Other parent company reserves: | | | | |
| - Distributable | 108,466 | 10,035 | 1 | 118,502 |
| - Non-distributable | 4,523 | - | 676 | 5,199 |
| **Total other reserves** | **226,677** | **10,035** | **677** | **237,389** |

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

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

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

18.4. Under the resolutions adopted by the General Shareholders Meeting held on 15 April 2007 (annual agreement for renewal of the delegation in the Board of Directors of the power to acquire equity stocks) and of the resolution by the Board of Directors dated 15 September 2004, Abengoa, S.A. signed a contract with Santander Investment Bolsa S.V. in order to, without interfering in the development of the market, and in strict compliance with the stock-market guidelines, favour liquidity of transactions on shares, regularity of exchange rates and avoid variation not resulting from actual market trends.

By virtue of the previous liquidity contract, the company acquired during the financial year 2,298,654 equity stocks for an average price of 23.31 euros per stock and sold those same stocks at an average price of 23.36 euros per stock. The effect (Profit) generated in the aforementioned operations has been charged against the parent company assets.

18.5. The proposal for the distribution of the results of 2007 and other reserves of the parent Company to be presented to the General Shareholders Meeting, together with the approved distribution of 2006, is as follows:

| **Distribution bases** | **Amount at 31.12.07** | **Amount at 31.12.06** |
|---|---|---|
| Profit for the year | 53,338 | 24,510 |

| **Distribution** | | |
|---|---|---|
| To voluntary reserves | 37,958 | 10,035 |
| To dividends | 15,380 | 14,475 |
| **Total** | **53,338** | **24,510** |

**Note 19.- Other Reserves.**

The amount included under the heading Other Reserves reflects the effect on assets arising in the valuation of charging operations (derivatives), the available investments for the sale and the plan of stock held at the close of the financial year.

Below are detailed the amounts and transactions for items under the heading Other Reserves for the 2006 and 2007 financial years:

| Item | Cover Trans. Reserves | Invest. Avail. for Sale Reserves | Share Plans Reserves | Total |
|---|---|---|---|---|
| Balance as of 31 December 2005 | (24,334) | (1,527) | 5,559 | (20,302) |
| - Results for fair value of the financial year | (109,623) | 3,585 | (3,818) | (109,856) |
| - Transfer to results | 4,551 | - | - | 4,551 |
| - Tax on results of fair value | 47,138 | (1,247) | - | 45,891 |
| - Other movements | - | - | - | - |
| **Balance as of 31 December 2006** | **(82,268)** | **811** | **1,741** | **(79,716)** |

| Item | Cover Trans. Reserves | Invest. Avail. for Sale Reserves | Share Plans Reserves | Total |
|---|---|---|---|---|
| Balance as of 31 December 2006 | (82,268) | 811 | 1,741 | (79,716) |
| - Results for fair value of the financial year | 108,369 | (3,893) | (4,209) | 100,267 |
| - Transfer to results | 37,866 | (276) | 921 | 38,511 |
| - Tax on results of fair value | (35,252) | 551 | - | (34,701) |
| - Other movements | - | - | - | - |
| **Balance as of 31 December 2007** | **28,715** | **(2,807)** | **(1,547)** | **24,361** |

For further details regarding the cover operations, See Note 12.

**Note 20.- Translation Differences.**

20.1. The amount of the translation differences of the companies in the group and associate companies at the end of the 2006 and 2007 financial years is as follows:

| Item | Amount at 31.12.07 | Amount at 31.12.06 |
|---|---|---|
| Translation differences: | | |
| - Group | 13,199 | (10,143) |
| - Associate companies | 2,195 | 2,865 |
| **Total** | **15,394** | **(7,278)** |

20.2. The details of the differences in conversion by consolidated company by Global / Proportional Integration and companies integrated by the Equity Method at the close of the 2007 and 2006 financial years is as follows:

| Companies GI/PI | Amount at 31.12.07 | Amount at 31.12.06 |
|---|---|---|
| Abeinsa Brasil Projetos e Construcoes Ltda | - | (563) |
| Abencasa-Abengoa Comer. y Administraçao, S.A. | (1,319) | - |
| Abener Engineering and Construction Services, LLC | (1,129) | - |
| Abengoa Bioenergía Sao Paulo | (4,401) | - |
| Abengoa Bioenergy Corporation | (27,451) | (13,949) |
| Abengoa Bioenergy Operations, LLC | 960 | - |
| Abengoa Bioenergy US Holding, Inc | 5,482 | - |
| Abengoa Brasil, Ltda. | 12,846 | (3,702) |
| Abengoa Chile, S.A. | 2,275 | 2,050 |
| Abengoa México, S.A. de C.V. | - | 443 |
| Abenor, S.A. | 1,156 | - |
| Arbelux S.A. | 1,425 | - |
| Asa Bioenergy Holding, AG | 1,015 | 914 |
| Asa Bioenergy R&D | (415) | (657) |
| Asa Environment, AG | 4,669 | 4,380 |
| Asa Investment AG | 1,124 | 712 |
| ATE Transsmisora de Energía, S.A. | 12,149 | 3,310 |
| ATE II Transmissora de Energia, S.A. | 11,278 | (1,954) |
| Bargoa, S.A. | (1,334) | (1,551) |
| Befesa Argentina, S.A. | (1,334) | (997) |
| Befesa Salt Slag Ltd. | (614) | (323) |
| Befesa Scandust AB | (305) | - |
| BUS Group AG | 469 | - |
| C.D. Puerto San Carlos, S.A. de C.V. | (385) | (383) |
| Caseta Technologies, Inc | (537) | - |
| Construcciones Metálicas Mexicanas, S.A. de C.V. (Comemsa) | (875) | - |
| Energoprojekt-Gliwice S.A. | 505 | - |
| Enicar Chile, S.A. | (4,000) | (4,002) |
| Huepil de Electricidad, S.L. | (333) | - |
| Miner & Miner Consulting Engineers, Inc. | (2,231) | (870) |
| Mundiland, S.A. | 1,806 | 1,883 |
| Nordic Biofuels of Ravenna | (8,302) | (3,858) |
| NTE - Nordeste Transmissora de Energía, S.A. | 8,410 | 5,489 |
| Solar Power Plant One (SPP1) | (1,017) | - |
| STE-Sul Transmissora de Energia, Ltda. | 4,002 | 2,508 |
| Telvent Brasil, S.A. | 1,201 | 633 |
| Telvent Canada, Ltd. | 2,549 | - |
| Telvent Factory Holding AG | (336) | - |
| Telvent Farradyne Inc. | (3,778) | (892) |
| Telvent Traffic North America | 1,519 | 351 |
| Telvent USA Inc. | (1,168) | - |
| Teyma Abengoa, S.A. | 1,531 | 2,075 |
| Teyma Uruguay, S.A. | (1,038) | 881 |
| Other positive < € 300 thousands | 3,570 | 4,085 |
| Other negative < € 300 thousands | (4,440) | (6,156) |
| **Total** | **13,199** | **(10,143)** |

| Companies EM | Amount at 31.12.07 | Amount at 31.12.06 |
|---|---|---|
| Expansion Transmissào de Energia Eletrica, Ltda. | 2,553 | 1,665 |
| Expansion Transmissao Iturnbiara Marimbondo, Ltda. | 1,881 | 1,179 |
| Redesur | (2,569) | - |
| Other positive < € 300 thousands | 419 | (151) |
| Other negative < € 300 thousands | (89) | 172 |
| **Total** | **2,195** | **2,865** |

The attributed amount in this financial year has increased in € 22,672 thousands (increase in € 34,733 thousands in 2006), due fundamentally to the appreciation of the Brazilian real.

## Note 21.- Retained Earnings.

21.1. The amount and movement of the accounts that form part of the Retained earnings heading during the 2006 and 2007 financial years are as follows:

| Item | Balance as of 31.12.05 | Distribution Results 2005 | Results 2006 | Other movements | Balance as of 31.12.06 |
|---|---|---|---|---|---|
| Reserves in companies consolidated by GI/PI | 71,386 | 46,867 | - | 4,168 | 122,421 |
| Stockholdings in Companies using the equity method | 1,314 | 5,359 | - | (1,628) | 5,045 |
| Dividends and Reserves of the Parent Company | - | 13,778 | - | (13,778) | - |
| **Reserves** | **72,700** | **66,004** | **-** | **(11,238)** | **127,466** |
| Consolidated results for the financial year | 78,481 | (78,481) | 121,503 | - | 121,503 |
| Results attributed to minority shareholders | (12,477) | 12,477 | (21,164) | - | (21,164) |
| **Results attributed to the parent company** | **66,004** | **(66,004)** | **100,339** | **-** | **100,339** |
| **Total retained earnings** | **138,704** | **-** | **100,339** | **(11,238)** | **227,805** |

| Item | Balance as of 31.12.06 | Distribution Results 2006 | Results 2007 | Other movements | Balance as of 31.12.07 |
|---|---|---|---|---|---|
| Reserves in companies consolidated by GI/PI | 122,421 | 68,297 | - | 2,095 | 192,813 |
| Stockholdings in Companies using the equity method | 5,045 | 7,532 | - | (8,566) | 4,011 |
| Dividends and Reserves of the Parent Company | - | 24,510 | - | (24,510) | - |
| **Reserves** | **127,466** | **100,339** | **-** | **(30,981)** | **196,824** |
| Consolidated results for the financial year | 121,503 | (121,503) | 135,819 | - | 135,819 |
| Results attributed to minority shareholders | (21,164) | 21,164 | (15,416) | - | (15,416) |
| **Results attributed to the parent company** | **100,339** | **(100,339)** | **120,403** | **-** | **120,403** |
| **Total retained earnings** | **227,805** | **-** | **120,403** | **(30,981)** | **317,227** |

21.2. The Reserves in Companies Consolidated by full consolidation/proportional consolidation and by the equity method are as follows:

| | Balance as of 31.12.07 | | Balance as of 31.12.06 | |
|---|---|---|---|---|
| | **GI/PI** | **EM** | **GI/PI** | **EM** |
| Solar | 520 | - | - | - |
| Bioenergy | 36,997 | - | 33,394 | - |
| Environmental Services | 81,329 | 2,801 | 71,841 | 4,973 |
| Information Technologies | 44,515 | - | 33,201 | - |
| Industrial Construction and Engineering | 69,132 | 1,417 | 19,545 | 1,839 |
| Corporate Activity and resulting from the Consolidation process | (39,680) | (207) | (35,560) | (1,767) |
| **Total** | **192,813** | **4,011** | **122,421** | **5,045** |

**Note 22.- Minority Interests.**

22.1. This heading in the Balance sheet includes the proportional part of Own Funds from the Group companies consolidated by Global Integration and in which non-Group shareholders have a share.

The Minority Interests heading during the 2007 financial year is as follows:

| Company | Balance as of 31.12.06 | Other movements | Allocation results 07 | Balance as of 31.12.07 |
|---|---|---|---|---|
| Abener Engineering and Construction Services, LLC | - | 138 | (703) | (565) |
| Abengoa Bioenergía, S.A. | 3,687 | (3) | 435 | 4,119 |
| AB Bioenergy France, S.A. | 13,044 | (68) | (891) | 12,085 |
| Abengoa Perú, S.A. | (2) | 8 | (2) | 4 |
| Abengoa Servicios S.A. de C.V. | 1 | (1) | 6 | 6 |
| Aprovechamientos Energéticos Furesa, S.A. | 13 | (104) | (20) | (111) |
| Arbelux S.A. | - | 353 | - | 353 |
| Abengoa México, S.A. de C.V. | 1,430 | (59) | 237 | 1,608 |
| Befesa Medio Ambiente, S.A. | 3,042 | (90) | 922 | 3,874 |
| Befesa Argentina, S.A. | 49 | (115) | 5 | (61) |
| Befesa Desulfuración, S.A. | 5,235 | (33) | 194 | 5,396 |
| Befesa Escorias Salinas, S.A. | 7 | - | - | 7 |
| Befesa Plásticos, S.L. | 239 | - | 4 | 243 |
| Befesa Zinc Amorebieta, S.A. | 3,815 | (3,815) | - | - |
| Befesa Zinc Sondika, S.A. | 2,126 | (2,126) | - | - |
| Bioetanol Galicia, S.A. | 2,802 | (113) | 10 | 2,699 |
| Construcciones Metálicas Mexicanas, S.A. de C.V. (Comemsa) | 139 | (126) | 41 | 54 |
| Cogeneración Villaricos, S.A. | 44 | (35) | (5) | 4 |
| Ecocarburantes Españoles, S.A. | 1,394 | (73) | 275 | 1,596 |
| Energoprojekt-Gliwice, S.A. | 8 | 1 | 4 | 13 |
| Enernova Ayamonte, S.A. | (32) | (670) | (104) | (806) |
| Europea de Construcciones Metálicas, S.A. | 3,076 | (3,076) | - | - |
| Gestión Integral de Proyectos e Ingeniería, S.A. de C.V. | - | - | - | - |
| Fotovoltaica Solar Sevilla, S.A. | 205 | (1) | 49 | 253 |
| Galian 2002, S.L. | - | 50 | (1) | 49 |
| Geida Skikda, S.L. | - | 2,324 | (67) | 2,257 |
| Iniciativas Hidroeléctricas, S.A. | 1,056 | - | (30) | 1,026 |
| Matchmind Holding, S.L. | - | 3,476 | 305 | 3,781 |
| NTE, Nordeste Transmissora de Energía, S.A. | 31,253 | (799) | 7,005 | 37,459 |
| Pandelco, S.A. | (30) | 14 | 12 | (4) |
| Puerto Real Cogeneración, S.A. | (23) | (45) | (14) | (82) |
| Procesos Ecológicos Vilches, S.A. | 1,070 | (3,012) | 296 | (1,646) |
| Procesos Ecológicos, S.A. (Proecsa) | 642 | - | 1 | 643 |
| Residuos Ind. de la Madera de Córdoba, S.A (Rimacor) | 229 | - | 47 | 276 |
| Servicios Auxiliares de Administración, S.A. de C.V. | 7 | (1) | 13 | 19 |
| SET Sureste Peninsular, S.A. de C.V. | (157) | 4 | (7) | (160) |
| Sniace Cogeneración, S.A. | 1,761 | (34) | (105) | 1,622 |
| Solar Power Plant One (SPP1) | - | 13,216 | - | 13,216 |
| STE - Sul Transmissora de Energía, Ltda. | 15,204 | 1,487 | 2,954 | 19,645 |
| Beijing Blue Shield High & New Tech. Co., Ltd. | 476 | (475) | (142) | (141) |
| Telvent GIT, S.A. | 52,022 | (1,262) | 9,363 | 60,123 |
| Teyma Internacional, S.A. | - | 7 | 275 | 282 |
| Teyma Uruguay, S.A. | 311 | (311) | (70) | (70) |
| Teyma Uruguay ZF, S.A. | 134 | (137) | 97 | 94 |
| Transportadora Cuyana, S.A. | - | 1 | - | 1 |
| Consolidado Befesa | 562 | 3,369 | 787 | 4,718 |
| Consolidado Bioenergía | 1,333 | (772) | 470 | 1,031 |
| Consolidado Telvent GIT | 12,624 | 1,231 | 1,809 | 15,664 |
| Eliminaciones NIIF | (7,775) | 5,742 | (8,039) | (10,072) |
| **Total** | **151,021** | **14,065** | **15,416** | **180,502** |

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

22.2. The Minority Interests heading during the 2006 financial year is as follows:

| Company | Balance as of 31.12.05 | Other movements | Allocation results 06 | Balance as of 31.12.06 |
|---|---|---|---|---|
| AB Bioenergy France, S.A. | 2 | 13,301 | (259) | 13,044 |
| Abengoa Bioenergía, S.A. | 3,398 | (25) | 314 | 3,687 |
| Abengoa México, S.A. de C.V. | 522 | 869 | 39 | 1,430 |
| Abengoa Perú, S.A. | (1) | - | (1) | (2) |
| Abengoa Servicios S.A. de C.V. | (1) | - | 2 | 1 |
| Alianza Befesa Egmasa, S.L. | 187 | (187) | - | - |
| Aprovechamientos Energéticos Furesa, S.A. | 6 | - | 7 | 13 |
| Bargoa, S.A. | (80) | 80 | - | - |
| Befesa Argentina, S.A. | 50 | (5) | 4 | 49 |
| Befesa Desulfuración, S.A. | 4,983 | (1) | 253 | 5,235 |
| Befesa Escorias Salinas, S.A. | 7 | - | - | 7 |
| Befesa Medio Ambiente, S.A. | 8,869 | (5,900) | 73 | 3,042 |
| Befesa Plásticos, S.L. | 225 | 1 | 13 | 239 |
| Befesa Zinc Amorebieta, S.A. | 2,718 | (79) | 1,176 | 3,815 |
| Befesa Zinc Sondika, S.A. | 1,294 | (45) | 877 | 2,126 |
| Beijing Blue Shield High & New Tech. Co. Lt. | - | 473 | 3 | 476 |
| Bioetanol Galicia, S.A. | 3,119 | (770) | 453 | 2,802 |
| Cogeneración Villaricos, S.A. | 34 | - | 10 | 44 |
| Construcciones Metálicas Mexicanas, S.A. de C.V. (Comemsa) | 110 | (121) | 150 | 139 |
| Ecocarburantes Españoles, S.A. | 1,483 | (469) | 380 | 1,394 |
| Energoprojekt-Gliwice, S.A. | - | 8 | - | 8 |
| Enernova Ayamonte, S.A. | 64 | - | (96) | (32) |
| ETBE Huelva, S.A. | 984 | (984) | - | - |
| Europea de Construcciones Metálicas, S.A. | 3,001 | 17 | 58 | 3,076 |
| Fotovoltaica Solar Sevilla, S.A. | 198 | - | 7 | 205 |
| Iniciativas Hidroeléctricas, S.A. | 1,014 | (10) | 52 | 1,056 |
| Miner & Miner Consulting Engineers, Inc. | 464 | (464) | - | - |
| Nordeste Transmissora de Energía, S.A. (NTE) | 29,084 | (3,229) | 5,398 | 31,253 |
| Pandelco, S.A. | (34) | (2) | 6 | (30) |
| Procesos Ecológicos, S.A. (Proecsa) | 205 | 435 | 2 | 642 |
| Procesos Ecológicos Vilches, S.A. | 533 | 240 | 297 | 1,070 |
| Puerto Real Cogeneración, S.A. | (111) | 93 | (5) | (23) |
| Residuos Ind. de la Madera de Córdoba, S.A.(Rimacor) | 517 | (278) | (10) | 229 |
| Sainsel Sistemas Navales, S.A. | (35) | 35 | - | - |
| Servicios Auxiliares de Administración, S.A. de C.V. | (3) | - | 10 | 7 |
| SET Sureste Peninsular, S.A. de C.V. | (151) | 2 | (8) | (157) |
| Sniace Cogeneración, S.A. | 1,651 | (1) | 111 | 1,761 |
| STE - Sul Transmissora de Energía, Ltda. | 14,168 | (706) | 1,742 | 15,204 |
| Telvent GIT, S.A. | 51,661 | - | 361 | 52,022 |
| Teyma Uruguay, S.A. | 525 | (287) | 73 | 311 |
| Teyma Uruguay ZF, S.A. | - | 2 | 132 | 134 |
| Consolidated Befesa | 534 | (349) | 377 | 562 |
| Consolidated Bioenergía | 822 | 314 | 197 | 1,333 |
| Consolidated Telvent GIT | 6,588 | (781) | 6,817 | 12,624 |
| Eliminations NIIF | (7,509) | (2,415) | 2.149 | (7,775) |
| **Total** | **131,095** | **(1,238)** | **21,164** | **151,021** |

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

| Company in which the shares are held | Shareholder | % Holding |
|---|---|---|
| AB Bioenergy France, S.A. | OCEOL | 36.00 |
| Abener-Dragados Industrial-México, S.A. de C.V. | Dragados Industrial, S.A. | 50.00 |
| Befesa Desulfuración, S.A. | Fertiberia | 10.00 |
| Befesa Zinc Amorebieta, S.A. | Personas físicas | 49.00 |
| Befesa Zinc Sondika, S.A. | Personas físicas | 49.00 |
| Beijing Blue Shield High & New Tech. Co., Ltd. | Shenzhen Airport Co. Ltd, China Motor | 20.00 |
| 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 |
| D.E. Arico, S.A. | Hidráulica Maspalomas, S.A. y Soc. Inv. Maspalomas, S.A. | 33.35 |
| Donsplav | Scarp | 49.00 |
| European Tank Clean Company | Sodi | 49.97 |
| Explotaciones Varias, S.A. | Layar Castilla, S.A. | 50.00 |
| Fotovoltaica Solar Sevilla, S.A. | IDAE | 20.00 |
| Inapreu, S.A. | Preufet, S.A. | 50.00 |
| Iniciativas Hidroeléctricas, S.A. | Suma de Energías, S.L. | 45.00 |
| Líneas Baja California Sur, S.A. de C.V. | Elecnor, S.A. | 50.00 |
| Nordeste Transmissora de Energía, S.A. (NTE) | Dragados Industrial, S.A. | 49.99 |
| Procesos Ecológicos, S.A. (Proecsa) | Global Plasma Environment, S.A. | 49.99 |
| Recytech | Metaleurope | 50.00 |
| Residuos Ind. de la Madera de Córdoba,S.A. (Rimacor) | Aytos. Montoro, Lucena, Villa del Río y Corporaciones | 30.08 |
| Residuos Sólidos Urbanos de Ceuta, S.L. (Resurce) | Esys Montenay España, S.A. | 50.00 |
| Sniace Cogeneración, S.A. | Bosques 2000, S.L. | 10.00 |
| Solar Power Planta One (SPP1) | NEAL | 34.00 |
| Soluciones Ambientales del Norte Limitada | Gescam | 10.00 |
| STE – Sul Transmissora de Energía, Ltda. | Controles y Montajes | 49.90 |
| Telvent GIT, S.A. | CEDE & Co. | 32.17 |

**Note 23.- Non-Recourse Financing.**

As indicated in Note 2.4 of this bill of costs, stakes in different companies are to be found in the consolidation perimeter, their company purpose being, generally, the development of an integrated product, the financing of which is via non-recourse financing applied to projects.

In this Note to the Consolidated Financial Statements, it is endeavoured to provide both the non-recourse financing details and other relevant information relating to the aforementioned financing (excluding the details of fixed assets in projects relating to financing, on which information is provided in Note 8 of this Consolidated bill of costs).

23.1. The amounts and variations during the 2007 and 2006 financial years with regard to project finance are as follows:

| No-recourse financing applied to projects | Balance as of 31.12.06 | Increases | Decreases | Other movements | Balance as of 31.12.07 |
|---|---|---|---|---|---|
| Long term | 796,068 | 214,504 | (68,892) | 244,322 | 1,186,002 |
| Short term | 457,802 | 54,769 | (33,484) | 24,074 | 503,161 |
| **Total no-recourse financing** | **1,253,870** | **269,273** | **(102,376)** | **268,396** | **1,689,163** |

| No-recourse financing applied to projects | Balance as of 31.12.05 | Increases | Decreases | Other movements | Balance as of 31.12.06 |
|---|---|---|---|---|---|
| Long term | 386,365 | 510,521 | (47,711) | (53,107) | 796,068 |
| Short term | 284,475 | 247,589 | (66,117) | (8,145) | 457,802 |
| **Total no-recourse financing** | **670,840** | **758,110** | **(113,828)** | **(61,252)** | **1,253,870** |

The amounts corresponding to “Other Movements” reflect, in general, the entry of certain companies within the consolidation perimeter for the first time, as well as the effect of exchange rates, mainly the appreciation of the Brazilian real in respect to the euro.

On the assets side of the Balance Sheet ("Financial accounts receivable" of under the current assets), there are reserve accounts at the beginning inception of the debt amounting to € 74,260 thousands related to project finance.

23.2. The projects financed under the Non-Recourse Financing method at close of financial year 2007 were as follows:

| Project | Activity | Country | Status (*) | % Abengoa |
|---|---|---|---|---|
| **Industrial Construction and Engineering:** | | | | |
| ATE Transmissora de Energía, S.A. | Transmision | Brazil | (O) | 100.0 |
| ATE II Transmissora de Energía, S.A. | Transmision | Brazil | (O) | 100.0 |
| ATE III Transmissora de Energía, S.A. | Transmision | Brazil | (C) | 100.0 |
| ATE IV Sao Mateus Transmisora de Energía, S.A. | Transmision | Brazil | (C) | 100.0 |
| ATE V Londrina Transmisora de Energía, S.A. | Transmision | Brazil | (C) | 100.0 |
| ATE VI Campos Novo Transmisora de Energía, S.A. | Transmision | Brazil | (C) | 100.0 |
| ATEVII Foz do Iguazu Transmisora de Energía, S.A. | Transmision | Brazil | (C) | 100.0 |
| Centro Industrial y Logístico Torrecuéllar, S.A. | Construction | Spain | (O) | 100.0 |
| Cogeneración Villaricos, S.A. | Cogeneration | Spain | (O) | 99.2 |
| Enernova Ayamonte, S.A. | Cogeneration | Spain | (O) | 91.0 |
| Inapreu, S.A. | Transmision | Spain | (C) | 50.0 |
| NTE Nordeste Transmissora de Energía, S.A. | Transmision | Brasil | (O) | 50.0 |
| Centro Tecnológico Palmas Altas, S.A. | Transmision | Spain | (C) | 100.0 |
| Palmucho, S.A. | Transmision | Chile | (O) | 100.0 |
| Pandelco, S.A. | Transmision | Uruguay | (O) | 100.0 |
| Puerto Real Cogeneración, S.A. | Cogeneration | Spain | (O) | 99.1 |
| Sniace Cogeneración, S.A. | Cogeneration | Spain | (O) | 90.0 |
| STE Sul Transmissora de Energía, Ltda. | Transmision | Brazil | (O) | 50.0 |
| **Bioenergy:** | | | | |
| Abengoa Bioenergy of Illinois, Llc | Ethanol | USA | (C) | 100.0 |
| Abengoa Bioenergy of Indiana, Llc | Ethanol | USA | (C) | 100.0 |
| Abengoa Bioenergy France, S.A. | Ethanol | France | (C) | 64.0 |
| Abengoa Bioenergy of Nebraska, Llc | Ethanol | USA | (O) | 100.0 |
| **Information Technologies:** | | | | |
| Telvent Traffic North America, Inc. | Inf. Tech o | USA | (O) | 100.0 |
| **Environmental Services:** | | | | |
| Befesa Zinc, S.L. | Recycling of Zinc Wastes | Spain | (O) | 100.0 |
| Chennai Water Desalination ,Ltd | Desalination | India | (C) | 25.0 |
| Sistemas de Desarrollos Sustentables | Waste Management | Mexico | (C) | 61.0 |
| Geida Skikda, S.A. | Desalination | Algeria | (C) | 67.0 |
| **Solar:** | | | | |
| Copero Solar Huerta, S.A. (H1-H8) | Solar Generation Energy | Spain | (O) | 100.0 |
| Copero Solar Huerta, S.A. (H9-H10) | Solar Generation Energy | Spain | (C) | 100.0 |
| Egeria Densam, S.L. | Solar Generation Energy | Spain | (C) | 100.0 |
| Orijinella, S.L. | Solar Generation Energy | Spain | (C) | 100.0 |
| Sanlúcar Solar, S.A. | Solar Generation Energy | Spain | (C) | 100.0 |
| Fotovoltaica Solar Sevilla, S.A. | Solar Generation Energy | Spain | (O) | 100.0 |
| Solar Power Plant One | Solar Generation Energy | Spain | (C) | 51.0 |
| Solar Processes, S.A. | Solar Generation Energy | Spain | (O) | 100.0 |
| Solnova Electricidad,S.A. | Solar Generation Energy | Spain | (C) | 100.0 |
| Stellata World, S.L. | Solar Generation Energy | Spain | (C) | 100.0 |

(*) Operation (O), Construction (C)

Among the Non-Recourse Financing operations concluded during 2007, the following are particularly notable: € 200 millions corresponding to the Solnova Electricidad parabolic-cylinder thermoelectric solar plant built at the Solar Platform in the province of Seville; 235 million dollars to finance the construction of two bioethanol plants in Indiana and Illinois; € 158 millions for the construction of the Lacq bioethanol plant; and € 132 millions for the construction of the Palmas Altas Technological Centre, the future headquarters of the company. These loans had been drawn at close of 2007 financial year for the amounts indicated above.

23.3. The cancellation of the no-Recourse Financing Applied to Projects is scheduled, to date, in accordance with the following calendar as per the cash-flow forecasts to be generated by the projects.

| 2008 | 2009 | 2010 | 2011 | 2012 | Subsequent | Total |
|---|---|---|---|---|---|---|
| 503,161 | 170,032 | 129,144 | 120,033 | 93,249 | 673,544 | 1,186,002 |

The maturities in 2008 include the amounts corresponding to transactions funded by a bridging loan, which will be cancelled as soon as the long-term Non-Recourse Financing is in place.

23.4. The non-recourse Financing applied to projects includes, as non-Recourse Financing in Progress, the cash transactions consisting of the obtaining of financial resources, generally through banks, that are included in Project development, which are normally carried out under the modality of no-Recourse Financing Applied to Projects. This obtaining of resources is considered as a concept similar to the traditional advance payments customers make during the different phases of the execution of a Work or Project; the no-Recourse Financing in Progress has the particularity with regard to the traditional advance payments of customers in that it is usually a bank that provides the funds and they correspond to temporary transactions (usually with a term less than 2 years) during the Assets/Projects construction and launch phase which, once finalised and commissioned, are the object of transactions financed through the modality of no-Recourse Financing Applied to Projects (See Note 2.4.3).

The temporary cash transactions remain in this heading until the definitive formalisation of the no-Recourse Financing Applied to Projects.

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

At 31.12.07, the most important ongoing projects were as follows:

In Brazil, Batch A: Pará-Tocantins Transmission Lines, the Bateias –Sao Mateus Transmission Line, the Londrina-Maringá Transmission Line, the Campos Novos-Santa María Transmission Line and the Cascavel Oeste-Foz do Iguaçu Norte Transmission Line, whose concessions are held by the companies ATE III Transmissora de Energia, S.A, ATE IV São Mateus Transmissora de Energia S.A, ATE V Londrina Transmissora de Energia S.A., ATE VI Campos Novos Transmissora de Energia S.A. and ATE VII Foz do Iguaçu Transmissora de Energia S.A., respectively.

The most significant data of these projects are shown in the following table (all figures in thousands of euros):

| Item | ATE III | ATE IV | ATE V | ATE VI | ATE VII |
|---|---|---|---|---|---|
| Project start date | April 2006 | April 2007 | April 2007 | April 2007 | Mayo 2007 |
| Anticipated finalisation date | April 2008 | Sept. 2008 | Sept. 2008 | Sept. 2008 | Enero 2009 |
| Contract amount (EPC) | € 211.550 thousands | € 73.480 thousands | € 48.600 thousands | € 44.780 thousands | € 27.940 thousands |
| Execution at 31/12/07 | € 188.681 thousands | € 14.695 thousands | € 9.720 thousands | € 8.955 thousands | € 838 thousands |
| Short-term finance start date | March 2006 | April 2007 | April 2007 | April 2007 | Mayo 2007 |
| Short-term finance maturity date | April 2009 | April 2009 | April 2009 | April 2009 | April 2009 |
| Amount drawn | € 183.411 thousands | € 40.950 thousands | € 34.330 thousands | € 34.830 thousands | € 20.670 thousands |
| Long-term anticipated finance start date | March 2008 | July 2008 | July 2008 | July 2008 | July 2008 |
| Long-term finance duration | Up to 15 years | Up to 15 years | Up to 15 years | Up to 15 years | Up to 15 years |
| Total amount long-term finance | € 136.540 thousands | € 33.295 thousands | € 27.555 thousands | € 28.700 thousands | € 16.455 thousands |

In Spain, the companies Stellata World S.L., Orijinella S.L and Egeria Densam S.L. have bridge financing that will be cancelled on signing of the long-term financing. Abengoa has received a firm offer from a bank for a framework financing programme for photovoltaic projects to the sum of € 254,000 thousands, which will be applicable, among others, to the long-term financing of the aforementioned companies. It is envisaged that this agreement will be signed in the course of 2008.

**Note 24.- Loans and Borrowings.**

24.1. The Loans and Borrowings at 31 December 2007 and 2006 are as follows:

| Non-current | Balance as of 31.12.07 | Balance as of 31.12.06 |
|---|---|---|
| Loans with banks | 2,346,277 | 873,158 |
| Obligations and other loans | 263,592 | 151,422 |
| Liabilities from financial leasing | 33,248 | 9,050 |
| | 2,643,117 | 1,033,630 |
| **Current** | **Balance as of 31.12.07** | **Balance as of 31.12.06** |
| Loans with banks | 182,374 | 482,774 |
| Obligations and other loans | 11,515 | 15,093 |
| Liabilities from financial leasing | 12,678 | 4,873 |
| | 206,567 | 502,740 |
| **Total Loans and Borrowings** | **2,849,684** | **1,536,370** |

Of the amount of current and non-current loans with credit institutions, there are debts in foreign currency amounting to € 381,828 thousands (€ 47,845 thousands in 2006), all of which correspond to companies resident abroad (See Note 24.5).

As in the previous year, with the aim of minimizing the volatility of interest rates on financial operations, specific contracts are entered into to cover possible variations that may arise (See Note 12.2).

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

| 2008 | 2009 | 2010 | 2011 | 2012 | Subsequent | Total |
|---|---|---|---|---|---|---|
| 182,374 | 64,612 | 298,530 | 893,553 | 689,243 | 400,339 | 2,346,277 |

Abengoa has three long-term syndicated corporate finance operations in place, contracted in the 2005, 2006 and 2007 financial years, in the amount of 600 million euros each, with a final maturity in July 2012 for the first two and July 2011 for the third, with the participation of over 50 financial institutions in total.

The purpose of these operations is to finance the company's investments and general finance requirements. They have been structured in the form of a loan and a credit line, in the case of the first two, and a multi-currency credit line for the whole of the third.

These corporate finance operations are guaranteed by certain part-owned companies in the Industrial Construction and Engineering, Environmental Services and Bioenergy Business Groups.

Together with these three syndicated finance operations, during the 2007 financial year, Abengoa, S.A. contracted bilateral loans with the Official Credit Institute and the European Investment Bank, for € 150,000 thousands maturing at the end of July 2017 and € 109,000 thousands maturing at the end of August 2014, respectively, in order to specifically finance foreign investment programmes in the first case and R&D&i in the latter.

The amortization calendar for these finance operations is as follows:

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Sindicate Loan | - | - | 266 667 | 1 266 667 | 266 667 | - | - | - | - | - |
| BEI Loan | - | - | - | - | - | - | 109 000 | - | - | - |
| ICO Loan | - | - | - | - | - | 30 000 | 30 000 | 30 000 | 30 000 | 30 000 |
| **Total** | **-** | **-** | **266.667** | **1.2660667** | **266.667** | **30.000** | **139.000** | **30.000** | **30.000** | **30.000** |

Over and above these operations, Abengoa, S.A. has access to short-term credit lines totalling 176,500 thousands euros, all of which were fully available at the close of the financial year. These credit lines provide coverage for possible working capital needs that may emerge in Group companies and are managed jointly with the centralized treasury in accordance with the indications given in Note 3.

24.3. The amount corresponding to financial expenses with banks due totals € 3,304 thousands (€ 4,894 thousands in 2006), included in the "Short-term debts with banks" heading.

24.4. The real hypothecary guarantees to 31.12.07 are not significant.

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

| | 31.12.06 | | 31.12.06 | |
|---|---|---|---|---|
| | Companies Resident | | Companies Resident | |
| Currency | Abroad | Spain | Abroad | Spain |
| Dirhams (Morocco) | 3,283 | - | 16,156 | - |
| Dollar (Canada) | 40,653 | - | 1,660 | - |
| Dollar (USA) | 1,386 | - | 2,183 | - |
| Peso (Argentina) | 2,168 | - | 2,584 | - |
| Peso (Chile) | 4,178 | - | 4,825 | - |
| Peso (Mexico) | 3,818 | - | 4,857 | - |
| Peso (Uruguay) | 1,060 | - | 2,173 | - |
| Real (Brasil) | 323,718 | - | 12,206 | - |
| Sol (Peru) | 315 | - | - | - |
| Yuan (China) | 1,249 | - | 1,201 | - |
| **Total** | **381,828** | **-** | **47,845** | **-** |

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

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

- Sale and Leaseback York plant. Initial amount $ 56.8 M. Carried out with General Electric Capital Corporation (48.72%) and with the Bank of America Leasing Corporation and Merrill Lynch Leasing (51.28%). The outstanding debt at the end of the 2007 financial year was 37.2 million dollars.

- Sale and Leaseback Colwich plant. Amount $ 27.7 M. Carried out with Bank of America Leasing Corporation (26.30%) and Merrill Lynch Leasing (73.70%). The outstanding debt at the end of the 2007 financial year was 21.2 million dollars.

- Sale and Lease back Portales Plant. Amount $ 27 M. Carried out with GATX Financial Corporation. The outstanding debt at the end of the 2007 financial year was 23.3 million dollars.

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

Although, for operating reasons, the transaction has been formalised through the subsidiary company ABC, from the consolidated viewpoint of the group, it implies the transfer of the asset and the payment of a regular rent during the corresponding period of use. In this situation, Abengoa is responsible for the future payments accepted over the next 6 years (York), 8 years (Colwich) and 9 years (Portales) for the rent of the asset, its use and exploitation, which shall represent an average annual repercussion of approximately $ 10 M (€ 6.8 M), as it is considered an operative expense necessary for the development of the activity, as well as the maintenance of the plant in optimum working conditions and remaining as the operator of the plant should the purchase option not be exercised.

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

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

24.8. Furthermore, the "Obligations and Other Loans" heading includes the balances payable in the long and short term to official entities (Ministry of Industry and Energy, and others) by virtue of the return of subsidised loans, without interest, awarded for research and development projects. At the end of the 2007 financial year, the amount for this item totals € 16,052 thousands.

These operations are not expressly regulated, therefore it is considered applicable to consider the aforementioned loans to be public aid, as indicated in paragraph 37 of IAS 20. As a result, the Consolidated Results Accounts do not include economic profit from the same, by way of allocation of interest.

In the case of recording that specified in paragraph 43 of IAS 39, the accounting followed would have been as follows:

a) Record the soft loan at its fair value at the time of initially recognising the agreement with IAS 39 for a sum of € 13,590 thousands,

b) The proportion of the difference between the cash received and the fair value of the loan for purchasing assets for a sum of € 2,462 thousands, is compensated against the cost of the asset (this processing will have the same effect as recording the difference as a capital subsidy, being recognised as a deduction from the value of the assets to which they are related, in accordance with the requirements shown in paragraph 24 of IAS 20 and therefore, the cost of the assets and their accumulated depreciation throughout their useful life will be reduced by the compensated sum), and

c) Therefore, it will be necessary to recognise the expenses by interest related to the loan, using a financial criterion for a sum of approximately € 2,462 thousands to be distributed during the depreciation period of the assets.

This alternative processing will, as a result, not have had an effect on profit or the assets of the Abengoa Consolidated Annual Accounts for the financial year closing in 2007. Abengoa, considers that, in any case, the processing carried out regarding the preparing of the aforementioned Consolidated Annual Accounts adheres to the Financial Information Standards (IFRS) adopted by the EU.

24.9. The liabilities from financial leasing at the end of the 2007 and 2006 financial years are as follows:

| Financial Leasing | Balance as of 31.12.07 | Balance as of 31.12.06 |
|---|---|---|
| Current value of the sum of lease payments | 45,926 | 13,923 |
| Financial leasing liabilities minimum payments per lease: | | |
| - Between 1 and 5 years | 49,758 | 13,809 |
| - More than 5 years | 1,374 | 3,139 |
| Net amount in book value of the assets: | | |
| - Technical Installations and Machinery | 36,815 | 30,718 |
| - Other Fixed Assets | 4,118 | 7,518 |

**Note 25.- Suppliers and other Accounts Payable.**

The heading "Suppliers and Other Accounts Payable" at the end of the 2007 and 2006 financial years are as follows:

| Item | Balance as of 31.12.07 | Balance as of 31.12.06 |
|---|---|---|
| Commercial suppliers | 1,547,789 | 1,192,519 |
| Creditors for rendering of services | 306,997 | 242,684 |
| Client advances | 190,146 | 100,235 |
| Short-term debts | 35,869 | 38,828 |
| Other accounts payable | 238,648 | 86,615 |
| **Total** | **2,319,449** | **1,660,881** |

Included in the above table there are certain accounts payable for an amount of approximately € 157 millions as of 31 December 2007, (€ 66 millions in 2006) instrumented through the financial concept of "No-recourse confirming" pursuant to the various contracts signed with financial institutions in those cases where the Group companies receiving "Confirming" services had brought forward the collection of invoices.

**Note 26.- Tax Situation.**

26.1. Abengoa, S.A. and 149 other Group companies (See Appendix V to these Notes) are taxed under the Special Regime for Company Groups for 2006, with the number 2/97.

Telvent GIT, S.A. and 9 other Group companies (See Appendix V to these Notes) are taxed under the Special Regime for Company Groups for 2006, with the number 231/05.

Likewise, Proyectos de Inversiones Medioambientales, S.L. and 9 other companies (See Appendix V to these Notes) are taxed in the year 2006 under the Special Company Group Regime under the tax legislation of Biscay with numbers 4/01 B.

The rest of the Spanish and foreign companies who compose the Group are subject to corporate tax under the General Regime.

In relation to the tax regime under the local legislation of Biscay that is applicable to Befesa Medio Ambiente, S.A. and its subsidiaries, in 2005 the Group has become aware that the Supreme Court has delivered a sentence whereby certain rules contained in this local corporate tax legislation are declared null and void. The local authorities have announced their decision to set the applicable appeals against this judgement, although these appeals have not been published at the date of these annual accounts.

26.2. 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.

26.3. 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 territories and/or countries in which the different companies have their fiscal address. 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.

26.4. The movements during the 2006 and 2007 financial years in assets and liabilities due to deferred taxes were as follows:

| **Assets for deferred taxes** | **Amount** |
|---|---|
| At 31 December 2005 | 136,831 |
| Increase / Decrease due to income statement | 18,483 |
| Increase / Decrease due to equity | 58,858 |
| Other Movements | 14,747 |
| **At 31 December 2006** | **228,919** |
| Increase / Decrease due to income statement | 13,131 |
| Increase / Decrease due to equity | (49,264) |
| Other Movements | (2,318) |
| **At 31 December 2007** | **190,468** |

| **Liabilities for deferred taxes** | **Amount** |
|---|---|
| At 31 December 2005 | 49,327 |
| Increase / Decrease due to income statement | 2,641 |
| Increase / Decrease due to equity | 11,287 |
| Other Movements | 23,117 |
| **At 31 December 2006** | **86,372** |
| Increase / Decrease due to income statement | 16,234 |
| Increase / Decrease due to equity | 2,735 |
| Other Movements | 33,839 |
| **At 31 December 2007** | **139,180** |

The transaction corresponding to assets due to deferred taxes charged to net assets during the 2006 and 2007 financial years correspond entirely to the profit from the contracts with an interest rate and commodities for cash flow that cover operations.

The transaction corresponding to liabilities due to deferred taxes charged to net assets during the 2006 and 2007 financial years correspond fundamentally to profit from valuations based on IFRS of the contracts for specific cover operations.

The amounts indicated in Other Activity corresponding to assets and liabilities due to deferred taxes charged in the 2006 and 2007 financial years, correspond mostly to variations in the consolidation perimeter occurring in the aforementioned financial years.

The total balance of assets due to deferred taxes basically correspond to unallocated tax credits and deductions, as well as those deriving from the consolidation process.

The total balance of assets due to deferred taxes correspond to adjustments in consolidation and applications for IFRS basically through revaluations in applying IFRS 1.

26.5. Corporate income tax at the end of the 2007 and 2006 financial years is as follows:

| Item | Amount at 31.12.07 | Amount at 31.12.06 |
|---|---|---|
| Current tax | (11,170) | 2,497 |
| Deferred tax (Note 26.4) | (3,103) | (15,842) |
| **Total** | **(14,273)** | **(13,345)** |

26.6. The tax on the group's profits differs from the theoretical amount that would have been obtained by using the average weighted tax rate applicable to the profits of consolidated companies. This difference at the end of the 2007 and 2006 financial years is as follows:

| | Amount at 31.12.07 | Amount at 31.12.06 |
|---|---|---|
| **Profit before taxes** | **150,092** | **140,848** |
| Non-deductible expenses and inadmissible earnings | (13,603) | (13,553) |
| Compensation of Negative Tax Bases | (2,248) | (667) |
| **Adjusted book results** | **134,241** | **126,628** |
| Taxes calculated at the tax rates for each country | (22,663) | (20,602) |
| Unallocated tax credits and deductions | 11,493 | 23,099 |
| **Tax expenses** | **(11,170)** | **2,497** |

We can highlight the following from among the reasons for the aforementioned differences:

- Tax deduction originating from the commitment to R&D&i activities. In this sense, the investment drive of Abengoa in R&D&i over the past two years has exceeded € 120 M. The majority of these projects have obtained the Motivated Report from the Spanish Ministry of Industry, rated as R&D. Abengoa, in applying the criteria set out by the Institute of Accounting and Formulation of Accounts (ICAC), records in the balance sheet tax credits and deductions with the resulting income through taxes in the profit account.

- Contribution to Abengoa profit by profit originating in other countries. In this sense, the 62.1% of Abengoa sales in the 2007 financial year originated in countries other than Spain, where they normally have different tax rates in place. Likewise, Abengoa also received profit in the 2007 financial year for exports and carrying out projects abroad, which have benefited from their specific tax system.

- Taxation in Spain under the special tax consolidation system. Since 1997, most companies in which Abengoa takes part in Spain have paid taxes under the tax consolidation system, enabling, among other aspects, the compensation of negative tax bases in owned companies, the application of greater tax deductions in the share for investment carried out in R&D&i and other activities, with the possibility of the deferral of the tax burden in operations carried out between companies within the same tax group even, depending on the operation, neutralising the tax impact.

## Note 27.- Provisions and contingent Liabilities.

27.1. The movement of the heading "Risk and Expenses Funds" for the 2005 and 2006 financial years is as follows:

| Item | Balance as of 01.01.06 | Increases | Decreases | Other movements | Balance as of 31.12.06 |
|---|---|---|---|---|---|
| Funds for other Liabilities and Expenses | 47,702 | 12,478 | (1,746) | - | 58,434 |

| Item | Balance as of 01.01.07 | Increases | Decreases | Other movements | Balance as of 31.12.07 |
|---|---|---|---|---|---|
| Funds for other Liabilities and Expenses | 58,434 | 48,725 | (5,075) | 23,331 | 125,415 |

At the end of the financial year, appropriations to the fund totalled € 48,725 thousands, with a view to providing heading for risks inherent to the evolution of the business in Latin-America (mainly due to the results forecast for Abengoa Bioenergía Sao Paulo for the management period corresponding to the group, as indicated in Note 6.4.1), for risks related to projects currently under development in the form of research and development or similar and for specific risks for fiscal contingencies or that could arise as a consequence of arbitration or judicial proceedings posed by Abengoa in businesses outside Spain, in which, in the opinion of the administrators and the legal advisers, Abengoa has sufficient arguments for the amounts claimed being recognised in its favour and for the dismissal of possible counterclaims.

In the financial year, funds totalling € 5,075 thousands (provided in previous financial years) have been applied in the understanding that, although the administrators and legal advisers considered that Abengoa has sufficient arguments for the claimed amounts being recognised in its favour, the delayed terms for the resolution of the claims recommend their classification as possible contingent assets, proceeding with the application of the fund; in the event of materialisation and collection of the claims, they would be recorded as income for the year.

The "Other Movements" heading contains mainly the entries within the consolidation perimeter as well as the effects of exchange rate variations.

27.2. On 13 June 2006, Administrative Dispute Court Nº 2 in Almería handed down a judgement declaring the award to Telvent of the contract for the Advanced Digital Services Centre in Almería city (the "El Toyo" project) null and void, claiming that the City Council in Almería had not followed the appropriate procedure for the contract to be awarded. The Council appealed against the judgement and Telvent also lodged an appeal as an interested party on 6 July 2006. As a result, and until such time as the appeals lodged are resolved, the judgement is not definitive and cannot be enforced. As of 31 December 2007, the works for the development and installation of the "El Toyo" project have been completed.

In accordance with the information received from the different advisors, the Managers of Abengoa estimate that resolution of these matters, including the proceedings related to the El Toyo Project, will not have a material adverse effect on the Company's business and the consolidated results of operations.

In addition, at the end of 2007 financial year, Abengoa and its group of companies support claims and legal litigations in their favour and against their favour, as a natural consequence of their business and economic and technical claims that the parties to a contract usually file against each other. The most significant of these claims is currently substantiated abroad and refers to a contract for the repowering of electricity generation units which, for various reasons, has been cancelled group company that won the contract as a consequence of its impossible execution as defined as a result of the client's failure, in time and form, to obtain the administrative permits required for the works.

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

**Note 28.- Gross Cash Flows from Operating Activities.**

The International Financial Reporting Standards (IFRS) that were implemented in Abengoa during the 2005 tax year, and specifically the new interpretation Nº 12 by the International Financial Reporting Interpretations Committee (IFRIC) on concession service contracts, stipulate, among other matters, establish, among other matters, that the construction contracts associated with this kind of activity must be dealt with in accordance with IFRS 11 (See Note 2.24 b and c).

In addition to the service provision contracts, the company carries out a series of projects based on the integrated product model (See Notes 2.4 and 8.2), which have a series of characteristics that make them comparable to service provision contracts; these projects are outside the scope of interpretation Nº 12 of the IFRIC, which refers exclusively to concession service contracts. These projects are also financed with specific financing, by means of Non-Recourse Project Financing, in which a company of the Group carries out the construction of the asset by means of a contract at a closed price and term, which is analysed by an Independent Expert who reviews the contractual terms and the amount of the construction contract, verifying that it is carried out in market conditions.

Consequently, the results obtained in these operations cannot be recognised as accrued result until the assets are amortised or the transfer to third parties is effected. Consequently, neither the result nor the operating cash flows obtained in the construction of this kind of asset are considered within the Financial Statements.

Without prejudice to that indicated in international guidelines, and in order to offer users of Abengoas's financial statements a fair view of the results and the generation of cash deriving from the operating activities, the Cash Flow Situation Model that is presented in this Report includes a section entitled Gross Cash Flows from Operating Activities, which faithfully reflects the cash generation from the operating activities and whose details in financial years 2007 and 2006 were as follows:

| Item | Amount at 31.12.07 | Amount at 31.12.06 |
|---|---|---|
| **Consolidated after-tax income** | **135,819** | **121,503** |
| Taxes | 14,273 | 13,345 |
| Depreciation and debits for loss of value | 97,405 | 68,679 |
| Financial results | 140,489 | 91,856 |
| Share in profit/loss of associated companies | (4,243) | (7,532) |
| Work done for Fixed Assets | 68,624 | - |
| **Gross Cash Flows from Operating Activities from Business Units** | **452,367** | **287,851** |

The heading of work carried out for Fixed Assets reflects the balance of the net result attributable to the construction contracts not subject to IFRIC 12 and the reversion of the amortisation of the results attributable to these construction contracts, which have previously been considered greater value of the asset.

## Note 29.- Other Operating Income.

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

| Item | Amount at 31.12.07 | Amount at 31.12.06 |
|---|---|---|
| Income from Various Services | 336,402 | 129,375 |
| Official capital grants | 10,042 | 5,315 |
| Others | 1,657 | - |
| **Total** | **348,101** | **134,690** |

Under the heading corresponding to Income from different service, is mostly included work carried out by Group companies for the construction of integrated products (See Note 2.24).

**Note 30.- Personnel Expenses.**

Personnel expenses at the end of the 2007 and 2006 financial years are as follows:

| Item | Amount at 31.12.07 | Amount at 31.12.06 |
|---|---|---|
| Wages and salaries | 404,701 | 318,478 |
| Welfare charges | 97,553 | 78,741 |
| Stock Plans (See Note 2.20) | 16,445 | 5,500 |
| **Total** | **518,699** | **402,719** |

**Note 31.- Other Operating Expenses.**

The "Other Operating Expenses" at the end of the 2007 and 2006 financial years are as follows:

| Item | Amount at 31.12.07 | Amount at 31.12.06 |
|---|---|---|
| Outside services | 440,720 | 369,294 |
| Taxes | 44,032 | 22,463 |
| Other Management Expenses | 39,117 | 63,151 |
| **Total** | **523,869** | **454,908** |

Leasing and charges amounting to € 65,079 thousands (€ 53,009 thousands in 2006), transport amounting to € 22,103 thousands (€ 23,871 thousands in 2006), independent professional services amounting to € 112,409 thousands (€ 89,354 thousands in 2006), advertising amounting to € 7,547 thousands (€ 5,459 thousands in 2006) and other services amounting to € 105,375 thousands (€ 81,510 thousands in 2006). In general, the increases under this heading are due, mainly, to the incorporation of the BUS Group for a full financial year.

## Note 32.- Financial Income and Expenses.

Financial Income and Expenses at the end of the 2007 and 2006 financial years are as follows:

| Financial Income | Amount at 31.12.07 | Amount at 31.12.06 |
|---|---|---|
| Income from debt interest | 22,469 | 8,542 |
| Profits from financial assets at fair value | - | 16,445 |
| Profits from interest-rate contracts. Cash flow cover | - | 533 |
| Profits from interest-rate contracts: Cover of the fair value | - | - |
| **Total** | **22,469** | **25,520** |

| Financial Expenses | Amount at 31.12.07 | Amount at 31.12.06 |
|---|---|---|
| Interest expense: | | |
| - Loans with banks | (131,765) | (79,097) |
| - Other debts | (39,969) | (40,142) |
| Losses of financial assets at fair value | - | - |
| Losses interest-rate contracts. Cash flow cover | (2,351) | - |
| Losses interest-rate contracts: Cover of the fair value | - | - |
| **Total** | **(174,085)** | **(119,239)** |

| | | |
|---|---|---|
| **Net Financial Expenses** | **(151,616)** | **(94,809)** |

**Note 33.- Net Exchange Differences.**

Net Exchange Differences at the end of the 2007 and 2006 financial years are as follows:

| Financial Income | Amount at 31.12.07 | Amount at 31.12.06 |
|---|---|---|
| Profits from transactions in foreign currency | 64,447 | 27,916 |
| Profits exchange rate contracts Cash flow hedge | 1,711 | 6,660 |
| Profits exchange rate hedge contracts of the fair value | - | - |
| **Total** | **66,158** | **34,576** |

| Financial Expenses | Amount at 31.12.07 | Amount at 31.12.06 |
|---|---|---|
| Losses from transactions in foreign currency | (44,922) | (24,515) |
| Losses exchange rate contracts Cash flow hedge | (2,579) | (1,778) |
| Losses exchange rate hedge contracts Cover of the fair value | - | - |
| **Total** | **(47,501)** | **(26,293)** |

| | | |
|---|---|---|
| **Net Exchange Differences** | **18,657** | **8,283** |

## Note 34.- Other Net Financial Income / Expenses.

The "Other Net Financial Income / Expenses" heading at the end of the 2007 and 2006 financial years is as follows:

| Other Financial Income | Amount at 31.12.07 | Amount at 31.12.06 |
|---|---|---|
| Profits from the sale of financial investments | 4,525 | 6,434 |
| Income on shareholdings | 4,896 | 3,016 |
| Other financial income | 55,243 | 21,326 |
| Profits inventory contracts: Cash flow hedge | - | - |
| Profits inventory contracts: Fair value hedge | - | - |
| **Total** | **64,664** | **30,776** |

| Other Financial Expenses | Amount at 31.12.07 | Amount at 31.12.06 |
|---|---|---|
| Losses from the sale of financial investments | (1,134) | (410) |
| Other financial losses | (71,060) | (35,696) |
| Losses inventory contracts: Cash flow hedge | - | - |
| Losses inventory contracts: Fair value hedge | - | - |
| **Total** | **(72,194)** | **(36,106)** |

| | | |
|---|---|---|
| **Other Net Financial Income / Expenses** | **(7,580)** | **(5,330)** |

The heading for "Other Financial Income and Losses" mainly reflects the effect of the fruits obtained from temporary financial investments and the cancellations of exchange rate transactions.

## Note 35.- Earnings per Share.

The basic earnings per share are calculated by dividing the profits attributable to the Company's shareholders by the average weighted number of ordinary shares in circulation during the financial year. No own shares are maintained in the possession of the company or its subsidiaries (See Note 2.15).

| Item | Amount at 31.12.07 | Amount at 31.12.06 |
|---|---|---|
| Profits attributable to the company's shareholders | 120,403 | 100,339 |
| Weighted average number of ordinary shares in circulation (thousands) | 90,470 | 90,470 |
| **Basic earnings per share (€ per share)** | **1.33** | **1.11** |

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

**Note 36.- Dividends per Share.**

The dividends paid in June 2007 and June 2006 totalled € 14,475 thousands (€ 0.16 per share) and € 13,571 thousands (€ 0.15 per share), respectively. In the General Shareholders Meeting of 6 April 2008, a dividend per share of € 0.17 is going to be proposed with regard to 2007, which will represent the total dividend of € 15,380 thousands. These Consolidated Financial Statements do not show this dividend.

**Note 37.- Commited Guarantees with Third Parties.**

At the end of the financial year, the total amount of the guarantees with third parties totals € 879,181 thousands (€ 614,051 thousands in 2006), corresponding to guarantees and other insurances in guarantee of the compliance with the obligations undertaken in contracted works, and with regard to grants received.

As deposits for various transactions with financial entities (excluding the syndicated loan of Abengoa, S.A. referred to in Note 24), at 31 December 2007, there are guarantees between companies in the Group totalling € 1,320,769 thousands (€ 1,160,757 thousands in 2006), with an amount of € 913,109 thousands (€ 801,767 thousands in 2006) corresponding to transactions outside Spain involving both foreign companies and Spanish companies in operations abroad.

**Note 38.- Other Information.**

38.1. Average number of employees.

The average number of employees during the 2006 and 2005 financial years, separated into categories, is as follows:

| Categories | Average Number 2007 | | % Total | Average Number 2006 | | % Total |
|---|---|---|---|---|---|---|
| | Woman | Man | | Woman | Man | |
| Senior Manager | 49 | 526 | 3.3 | 41 | 432 | 3.5 |
| Middle Manager | 159 | 1,347 | 8.7 | 122 | 1,105 | 9.0 |
| Engineers and Uni. Graduates | 747 | 2,386 | 18.2 | 512 | 1,698 | 16.2 |
| Skilled and Semi-skilled | 967 | 1,411 | 13.8 | 815 | 1,078 | 13.9 |
| Laborers | 579 | 9,074 | 56.0 | 505 | 7,300 | 57.4 |
| **Total** | **2,501** | **14,744** | **100.0** | **1,995** | **11,613** | **100.0** |

The mean number of staff is split between Spain (43%) and abroad (57%).

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

38.2. Relations with associated companies.

The account Abengoa maintains with Inversión Corporativa I.C., S.A., at the end of the 2007 and 2006 financial years has a zero balance.

The dividends distributed to associated companies during the year have totalled € 8,112 thousands (€ 7,605 thousands in 2006).

The operations carried out during financial years 2007 and 2006 with important shareholders in addition to the purchase of land outlined in Note 7.4 are as follows:

- Constitution of a building right by Explotaciones Casaquemada, S.A. (a subsidiary company of Inversión Corporativa, I.C., S.A., a shareholder of reference in Abengoa) in favour of Solar Processes, S.A. (a subsidiary of Abengoa), by virtue of public deed dated 7 February 2007, for an initial term of 30 years, on a plot of land of 81.96 hectares, for an accumulated charge for the entire term of € 1,803.1 thousands, for the development, construction and operation of a 20 MW, tower-technology solar heating plant.

- Constitution of a building right by Iniciativas de Bienes Rústicos, S.A (a subsidiary company of Inversión Corporativa, I.C., S.A., a shareholder of reference in Abengoa) in favour of Solnova Electricidad, S.A. (a subsidiary of Abengoa), by virtue of public deed dated 3 December 2007, for an initial term of 30 years, on a plot of land of 115 hectares, for an accumulated charge for the entire term of € 3,220 thousands, for the development, construction and operation of a 50-MW solar heating plant using cylindrical parabolic collector technology.

As it is stated in Note 17, Inversión Corporativa is Abengoa's main shareholder which issues its own Consolidated Financial Statements.

38.3. Salaries and other payments.

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

The payments made during the financial year 2007 to the members of the Board of Directors and to the Advisory Board of the Board of Directors of Abengoa, S.A. (up to the extinction per agreement of the Ordinary General Shareholders Meeting on 15 April 2007) have totalled € 2,818 thousands (€ 1,578 thousands in the financial year 2006) for allowances and salaries and € 174 thousands (€ 211 thousands in the 2006 financial year) for other items.

In addition, during the 2007 financial year, the payments made to the Top-Level Management of the Company, considering the inclusion of eighteen people that constitute the Presidency, Strategy Committee and Corporate Management Departments, have totalled € 8,671 thousands (€ 7,882 thousands in the 2006 financial year) for both fixed and variable items.

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

At year end, there are retirement obligations for a sum of € 6,603 thousands.

38.4. Since 19 July 2003, the date on which the Stock Market Act 26/2003 came into force, modifying Act 24/1988, of 20 July, and the revised text of the Limited Companies Act, with a view to reinforcing the transparency of limited companies, the members of the Board of Directors have not maintained, except for those indicated below, shares in the capital of companies that carry out activities of the same, similar or complementary kind as that laid down in the corporate purpose of the parent Company. Furthermore, they have not carried out nor do they carry out activities on their own account or on behalf of any other party that are of a similar or complementary nature to the activities laid down in the corporate purpose of Abengoa, S.A. On the other hand, there are no companies susceptible to the application of the horizontal consolidation laid down in article 42 of the Code of Commerce in either 2007 or 2006.

The following shows the members of the board that are also members of other listed companies:

| Spanish Tax No. | Name | Listed company | Position |
|---|---|---|---|
| 35203147 | José B. Terceiro Lomba | Telvent GIT | Member of the board |
| 35203147 | José B. Terceiro Lomba | U.Fenosa | Member of the board |
| 35203147 | José B. Terceiro Lomba | Iberia | Member of the board, member of the executive commission |
| 35203147 | José B. Terceiro Lomba | Grupo Prisa | Member of the board, chairman of the audit committee |
| 28526035 | Felipe Benjumea Llorente | Iberia | Member of the board |

In accordance with the record of significant shareholdings the company maintains in accordance with the provisions laid down in the internal code of stock market conduct, the percentages of shares of the administrators in the company's capital at 31.12.07 are as follows:

| | Direct % | Indirect % | Total % |
|---|---|---|---|
| Felipe Benjumea Llorente | - | 0,839 | 0,839 |
| Javier Benjumea Llorente | 0,002 | - | 0,002 |
| José Joaquín Abaurre Llorente | 0,002 | - | 0,002 |
| José Luis Aya Abaurre | 0,061 | - | 0,061 |
| Aplicaciones Digitales, S.L. | 1,039 | - | 1,039 |
| Daniel Villalba Vilá | 0,006 | - | 0,006 |
| Carlos Sebastián Gascón | 0,013 | - | 0,013 |
| Mercedes Gracia Díez | 0,0005 | - | 0,0005 |
| Mª Teresa Benjumea Llorente | 0,013 | - | 0,013 |
| Ignacio Solís Guardiola | 0,016 | - | 0,016 |
| Fernando Solís Martínez-Campos | 0,056 | 0,036 | 0,092 |
| Carlos Sundheim Losada | 0,051 | - | 0,051 |
| Miguel Martín Fernández | 0,001 | - | 0,001 |
| Miguel A. Jiménez-Velasco Mazarío | 0,029 | - | 0,029 |
| **Total** | **1.2895** | **0.875** | **2.1645** |

38.5. Auditors' fees.

During the financial year 2007, fees were paid amounting to € 4,538 thousands (€ 2,952 thousands in 2006) for the financial audits that include the audit at the end of the year and the regular review of information and the audit under the US Gaap criteria of the company listed in the USA. Of the said amount, € 1,625 thousands correspond to the main auditor of the group PricewaterhouseCoopers (€ 842 thousands in 2006).

Furthermore, in the financial year 2007, € 1,050 thousands have been paid to auditing firms for other work, basically for consultancy work and financial verification of company acquisition transactions. € 938 thousands corresponds to the main auditor.

In the 2006 financial year, € 275 thousands were paid to auditing firms for other work, basically for the implementation of the requirements of the Sarbanes-Oxley Law. € 185 thousands corresponds to the main auditor.

38.6. Environmental information.

The Sprincipals on which Abengoa's environmental policy is based are in compliance with the prevailing legislation at any given time, prevention or minimisation of harmful or negative environmental impact, reduction of the use of energy and natural resources, and continuous improvement in environmental behaviour.

To fulfil this commitment for sustainable use of energy and natural resources, Abengoa specifically establishes within the Common Management Regulations (NOC) applicable to all the companies within the group, the obligation to implement and certify environmental management systems under the international ISO 14001 standard.

As a result of the aforementioned, at the end of 2007 the percentage of companies with Environmental Management Systems certified under the ISO 14001 standard, in terms of sales volume, was 81.3%.

The percentage distribution, by Business Group, of the companies with certified Environmental Management Systems is detailed below:

| Business Group | % Companies Certified as Compliant with the ISO 14001 (% of sales) |
|---|---|
| Solar | 60.87% |
| Information Technologies | 78.97% |
| Industrial Construction and Engineering | 83.00% |
| Environmental Services | 77.94% |
| Bioenergy | 86.24% |

Abengoa considers its traditional activity of engineering as a valuable tool through which it can construct a more sustainable world, a philosophy that is implemented in all its Business Groups. Thus, Abengoa applies technological and innovative solutions for sustainable development based on solar energy, biomass, waste, information technologies and engineering.

The details, in terms of Business Group, are as follows:

The Solar Business Group, the parent company of Abengoa Solar develops and applies solar energy technology to fight climate change and ensure sustainable development through proprietary technology, both thermal solar and photovoltaic energy. This Business Group, contributed to Abengoa's Consolidated Financial Statements for the 2007 financial year, with assets amounting to € 503,358 thousands, sales of € 17,729 thousands and attributed loss of € (€ 3,451 thousands), related to environmental activities.

The Bioenergy Business Group, the parent company of Abengoa Bioenergía deals with the production and development of biofuels for transport, bioethanol and biodiesel, among others, which use biomass (cereals, cellulose biomass, and oilseeds) as raw material. Biofuels are used in the production of ETBE (petrol additive) or directly mixed with petrol or diesel. As renewable energy sources, biofuels reduce CO2 emissions and contribute towards the securing and diversifying energy supplies, reducing dependence on fossil fuels used in automobiles and collaborating towards fulfilment of the Kyoto Protocol. This Business Group, contributed to Abengoa's Consolidated Financial Statements for the financial years 2007 and 2006 with assets amounting to € 2,174,224 and € 934,378 thousands, sales of € 613,732 and € 476,192 thousands and attributed profit of € 21,147 and € 16,148 thousands, related to environmental activities.

The Environmental Engineering Business Group, the parent company of Befesa Medio Ambiente centres its activities on providing environmental services, such as waste recycling, industrial cleaning, metal recovery and water generation and management engineering. This Business Group contributed to Abengoa's Consolidated Financial Statements for the financial years 2007 and 2006 with assets amounting to € 1,184,840 and € 1,106,026 thousands, sales of € 769,670 and € 555,285 thousands and attributed profit of € 46,393 and € 23,555 thousands, related to environmental activities.

The Engineering and Industrial Construction Business Group includes Zeroemissions, a company with the mission of providing global solutions for climate change through the promotion, development and commercialisation of carbon credits, voluntary compensations for emission and innovation in greenhouse gas reduction technology, all within Abengoa's dedication to sustainable development. This group also includes Hynergreen Technologies S.A., which organises and develops the activities and projects related to electricity production using fuel batteries based on different technologies, as well as the production of hydrogen from renewable resources, and its clean and efficient use. Zeroemissions and Hynergreen belong to the Abeinsa, the parent company in this Business Group, contributed to Abengoa's Consolidated Financial Statements for the financial years 2007 and 2006 with assets amounting to € 8,009 and € 4,152 thousands, sales of € 1,290 and € 1,239 thousands and attributed loss of (€ 321 thousands) and € 0 thousands, related to environmental activities.

The Information Technologies Business Group includes three areas closely linked to the environment: Energy, in which Telvent centres on real-time technological solutions for better energy efficiency management; Transport, where Telvent provides solutions, services and systems for urban traffic control and information, motorway management and information systems and automatic collection systems for toll motorways, through which it achieves more efficient traffic control and, therefore, a reduction in pollutant gas emissions; and Environment, in which Telvent provides hydrological and meteorological applications, as well as solutions and services that cover the entire water management cycle and enable environmental protection at global level. This Business Group, contributed to Abengoa's Consolidated Financial Statements for the financial years 2007 and 2006 with assets amounting to € 767,849 and € 557,516 thousands, sales of € 597,188 and €476,334 thousands and attributed profit of € 14,582 and € 10,296 thousands, related to environmental activities.

To illustrate the wide range of environmental initiatives undertaken, and without wishing to extend the list too far, we can mention:

All the Business Groups apply policies to reduce paper, toner, water and electricity consumption in offices and to collect waste for treatment and recycling.

The Engineering and Industrial Construction group carries out environmental programmes for works, reforestation in areas surrounding that in which the projects are carried out, and co-ordination of subcontracted carriers in order to adjust the type of transport to the size and quantity of the materials to be transported.

Environmental Services carry out initiatives to reduce waste generation, such as selling certain products loose in tanks in order to save packaging waste, reusing and recovering packaging, etc. To reduce water consumption, among other actions, both gross and process water supply networks have been set up. Additionally, there are the different R+D projects, such as the development of advanced waste water treatment systems or projects centred on water desalination: minimisation of the possible environmental impact of the brine through a study of the brine dilution phenomenon, development of desalination using renewable energies, etc. All of these projects are at the development stage and, therefore, results are not yet available.

The Bioenergy Business Group carries out actions such as reuse of water from waste water, taken from rainwater collection, among others.

At the close of financial year 2007, Abengoa considers that it had not incurred any environmental risks that require making any additional provisions.

38.7. Subsequent balance sheet events.

After the close of the financial year, there have been no perceptible incidents liable to have any significant impact on the information reflected in the Annual Accounts formulated by the administrators on that date, or which should be highlighted due to their being of crucial significance for the Group.