B - Audit Committee Annual Report

Composition and Appointments

Abengoa's Audit Committee was created by the Board of Directors of Abengoa, S.A. on December 2, 2002 under Article 44 of the Company By-Laws, in order to meet the provisions regulating Audit Committees as set forth in Law 44/2002 on the Reform of the Financial System (Ley 44/2002). Its Internal Rules and Regulations were approved by the Board of Directors on February 24, 2003. Both of these events were duly notified to the Spanish Stock Market Commission (Comisión Nacional del Mercado de Valores) as relevant facts.

The Audit Committee is mainly composed of non-executive directors. Its current composition, as well as the date of appointment of each director, is as follows:

Chairman	Mr. Daniel Villalba Vilá	February 28, 2005
Member	Mr. José B. Terceiro Lomba	February 24, 2003
Member	Mr. José J. Abaurre Llorente	February 24, 2003
Member	Ms. Mercedes Gracia Díez	December 12, 2005
Member	Mr. Miguel Martín Fernández	April 15, 2007
Secretary (non-member)	Mr. Miguel Ángel Jiménez-Velasco	February 24, 2003

Specialized committees have been set up to reinforce and enhance the efficiency and performance of the Board of Directors, thereby enabling the company to diversify work and ensure that for certain relevant issues, proposals and resolutions first go through a specialized and independent body that is able to filter and provide information on its decisions. This strengthens the required objectivity and due consideration of its resolutions.

Activities Performed

The Audit Committee met five times over the course of 2008.

In order to fulfill its core function of providing support to the Board of Directors, the main activities dealt with and analyzed by the Audit Committee can be categorized into four different areas of competence:

Financial Reporting

The Group's financial information essentially consists of the consolidated financial statements, drawn up quarterly, and the full consolidated Annual Accounts, drawn up on an annual basis.

This accounting information is prepared on the basis of the financial reporting that all Group companies are required to submit.

The information sent in by each individual company is verified by both the Group's internal auditors as well as the external auditors in order to ensure that the information is true and provides an fair view of the company.

Although Abengoa has made a significant effort in recent years to reduce the time taken to submit Group financial information, we believe that the aforementioned time periods can be further reduced. In order to achieve this, work is continuing on developing new tools and information systems.

One of the most important recurrent activities of the Audit Committee is verifying the economic and financial information prepared by the Group prior to its submission to the Board of Directors of Abengoa and the Spanish Securities and Exchange Commission (Comisión Nacional del Mercado de Valores, on CNMV).

Furthermore, in connection with these tasks of reviewing the financial statements and the processes followed in preparing them, the Committee has been duly informed of all the relevant changes in international accounting and financial reporting standards.

Risk, Internal Control and Internal Auditing

The duties and functions of the Audit Committee include "supervision of internal auditing services" and "awareness and understanding of the company's financial information reporting process and internal control systems".

In order to supervise the adequacy, adaptation and efficient functioning of the internal control systems, the Head of Corporate Internal Auditing systematically kept the Committee informed over 2008 of the following aspects in relation to its activities:

- The Annual Internal Audit Plan and the extent to which it has been met;
- The extent to which the issued recommendations have been implemented;
- A description of the main areas reviewed and the most significant conclusions;
- Other more detailed explanations requested by the Audit Committee.

In 2008, the Audit Committee recorded and supervised a total of 552 missions performed by the Internal Auditing Department (the Annual Audit Plan established a total of 549 for the year). The tasks not provided for in the plan mainly involved general audits of companies and projects that had not been included in the initial planning.

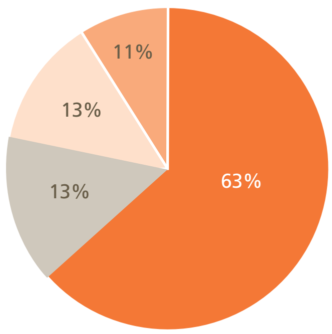
Throughout the year, the Audit Committee was regularly informed of the progress and conclusions regarding the completed internal auditing tasks. These basically consist of financial statement auditing tasks, SOX internal control audits, Common Management System audits, audits of critical projects and works and audits of specific areas, among others.

As a consequence of these audit missions, 237 recommendations were issued, most of which were implemented at fiscal year-end.

A factor that had a decisive impact on the number of recommendations issued was the performance of internal control-compliance audits under PCAOB (Public Company Accounting Oversight Board) standards, pursuant to the requirements set forth in Section 404 of the Sarbanes-Oxley (SOX) Act.

The following table shows the structure by Business Unit of the internal audits performed during the 2008 fiscal year:

Internal Audit Missions 2008



	SOX and Common Management Systems	Financial Statement Audits	Critical projects and const. work	Other
Solar	22	11	-	19
Ind. Eng. and Const.	30	21	36	4
Bioenergy	140	18	-	4
Information Technologies	116	11	21	0
Environmental Services	24	9	13	24
Corporate Services	17	4	-	8
	349	**74**	**70**	**59**

SOX and Common Management Systems | Financial Statement Audits | Critical projects and const. work | Other

External Auditing

Among the duties of the Audit Committee is that of safeguarding the independence of the external auditor, proposing appointment or renewal thereof to the Board of Directors, as well as approving fees.

The auditor of Abengoa, S.A.'s individual and consolidated annual accounts is the firm PricewaterhouseCoopers, which is also the Group's main auditor.

On account of PricewaterhouseCoopers' extensive knowledge of the Group, coupled with its impressive credentials, which are highly valued by both the Audit Committee and the management team, the Committee proposed the firm's appointment to the Board of Directors for subsequent approval by the General Shareholders' Meeting.

Nevertheless, Deloitte is the chosen auditor for a significant portion of the Group, essentially comprising the Business Units of Environmental Services (Befesa) and Information Technologies (Telvent).

In addition, other firms have a role to play in the auditing process, especially in small companies both in Spain and abroad, although the scope of their work is not considered significant.

The task of auditing SOX internal control mechanisms was also assigned to these same firms following the same criteria, as, in compliance with PCAOB regulations, the firm that issues an opinion on the Financial Statements must be the same one that assesses the Internal Control involved in their preparation, given that they are a key factor in "integrated audits".

The policy of Abengoa is that all Group companies be audited by external auditors, even when it is not required by law.

The total amount of fees agreed upon with the external auditors for the 2008 audit, including the auditing of periodic information and the audit of the U.S. corporation under US GAAP criteria, can be broken down as follows:

	Firm	Fees	Companies
Spain	PwC	1,164,435	32
Spain	Deloitte (*)	1,730,046	25
Spain	Other firms	79,834	25
Abroad	PwC	978,079	68
Abroad	Deloitte	883,423	21
Abroad	Other firms	100,254	16
Total		**4,936,071**	**187**

(*) Including, among others, the fees for the quarterly review of financial statements under US GAAP criteria of the listed subsidiary company in the US.

In addition, in 2008 Abengoa's Audit Committee, in accordance with its rules and regulations, agreed to begin the selection process for designating a financial auditor for Abengoa, S.A. and its consolidated Group for fiscal year 2009.

Final appointment is contingent upon approval by the Board of Directors and the General Shareholders' Meeting of Abengoa, S.A. and, in each case, by the Audit Committees, Governing Bodies and Shareholders' Meetings and Assemblies of the corresponding Group companies.

The Audit Committee is also responsible for monitoring the results of the work of the external auditors. Therefore, the committee is promptly informed of their conclusions and any incidents detected in the course of their work.

When required to do so, the external auditor has attended Audit Committee meetings in order to report on the scope of its competencies, which basically encompasses the following:

Audit of the financial statements of the consolidated group and its individual companies and the issuance of an audit opinion thereon

Although auditors must issue their opinion on the financial statements ending December 31 of each year, the work they carry out in each one of the companies includes a revision of a previous accounting period close date, which usually corresponds to the third quarter of the year in question (September), the aim being to anticipate any significant transactions or matters that may have arisen before such date.

For the first time, the half-year financial statements of Abengoa and its listed subsidiaries for 2008 include an interim audit report issued by the corresponding auditor.

Furthermore, the quarterly financial statements are audited to enable the company to submit the information required by official bodies.

The consolidated financial statements for each of the five Business Units are likewise audited: Abeinsa, Befesa, Telvent GIT, Abengoa Bioenergy and Abengoa Solar.

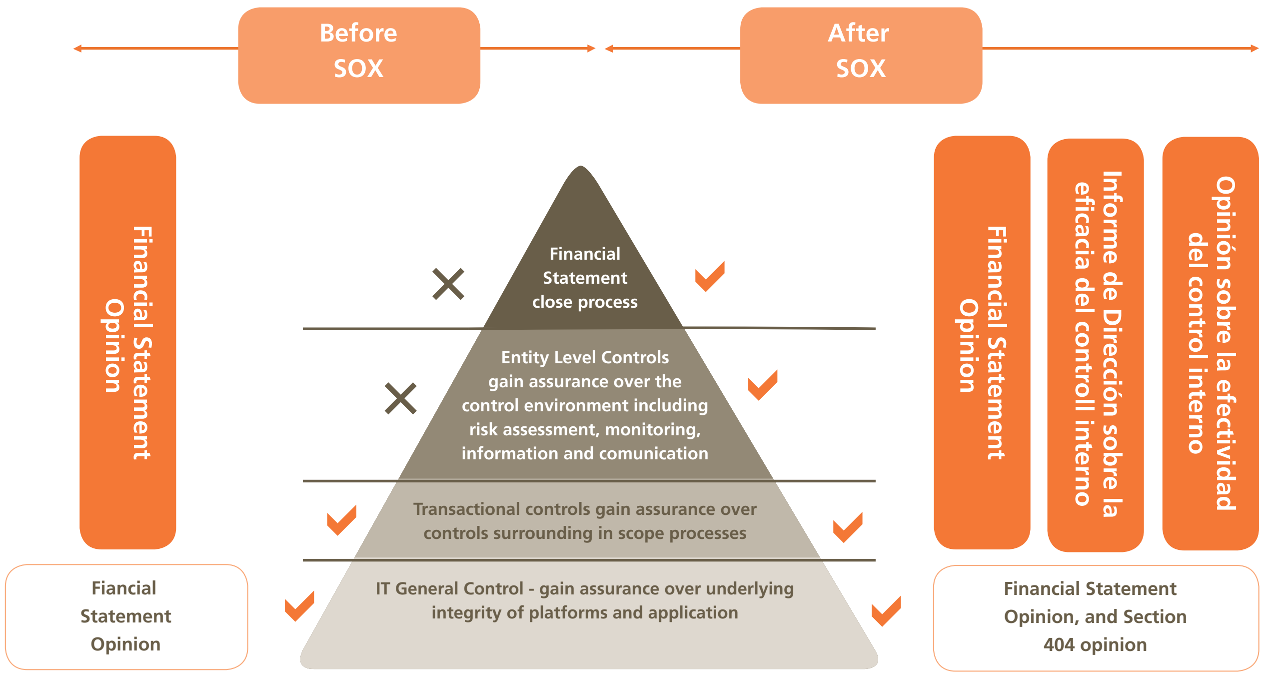
Evaluation of the internal control system and issuance of an audit opinion in accordance with PCAOB standards (SOX-compliance audit)

An advanced approach to auditing practice involves a prior analysis of the company's internal controls in order to reduce the subsequent need to perform substantive testing procedures in areas in which controls are already appropriate.

Although external auditors have already been using this approach, it has been further reinforced since 2007 following the implementation of SOX and the requirement for an internal control audit pursuant to PCAOB (Public Company Accounting Oversight Board) audit standards, which apply to listed companies in the United States (SEC registrants).

Specific PCAOB regulations require a series of additional auditing procedures. The SEC (Securities and Exchange Commission) delegates upon the PCAOB the task of creating and issuing the standards that external auditors must comply with when evaluating internal controls as part of an integrated audit.

In 2008, the external auditors performed an integrated audit following PCAOB standards and adapting their methodology to AS5 (Audit Standard No. 5). As a result of this work, the external auditors also proceeded to issue a report detailing the conclusions of their evaluation of the internal control system. This opinion supplements the one issued in the auditing report on the annual accounts, although the PCAOB allows both opinions to be included in one single document.



Matters of special interest

For certain specific or significant matters or transactions, the auditor must issue an opinion on the criteria adopted by the company so that a consensus can be reached.

Internal Rules and Procedures of the Audit Committee.

The Internal Rules and Procedures of the Audit Committee were approved by the Board of Directors on February 24, 2003, and establish the following:

Composition and Appointment:

The Committee shall permanently comprise a minimum of three Board members, at least two of whom must be non-executive members, thus complying with the majority of non-executive members provided for in Law 44/2002.

Members shall be appointed for a maximum term of office of four years, which may be renewed for further terms of equal length.

Chairman and Secretary:

The Audit Committee will initially elect its Chairman from among its members who are non-executive Board Members.

The Secretary to the Board of Directors shall act as Secretary to the Committee.

Duties and Competencies:

The duties and competencies of the Audit Committee are as follows:

1. To inform on the annual accounts and the bi-annual and quarterly financial statements that must be sent to the market regulatory or supervisory bodies, mentioning the internal control systems, the control of the monitoring thereof and compliance therewith through internal auditing and, when appropriate, the accounting principles applied.

2. To inform the Board of any change in accounting principles, as well as balance sheet and off-balance sheet risks.

3. To inform the General Shareholders' Meeting on the issues raised thereat by shareholders in relation to matters that fall within its competency.

4. To propose the appointment of the external account auditors to the Board of Directors, in order for the proposal to be submitted to the General Shareholders' Meeting.

5. To supervise the internal auditing services. The Committee will have full access to the internal audit and will report during the process of selecting, appointing, renewing and/or removing the manager thereof and establishing his or her remuneration, likewise providing informing on the budget of the internal audit department.

6. To be fully aware of the company's financial information reporting process and internal control systems.

7. To remain in contact with the external auditors to receive information on any issues that may jeopardize said auditors' independence and/or any other issues related to the account auditing process.

8. To call any Board Members it sees fit to attend Committee meetings for the purpose of providing any information the Audit Committee may require from them.

9. To prepare an annual report on the Audit Committee's activities, which must be published together with the Annual Accounts for the fiscal year.

Meetings and Notice

The Audit Committee shall meet as often as required, which must be at least once per quarter, to perform the functions described in the preceding section. In general, the meetings will be held at the company's registered office, although the members may designate a different place for a specific meeting.

The Audit Committee shall also meet whenever a meeting is called by the Chairman, on his own initiative or at the request of any member of the Committee. Committee members may, in any case, recommend that the Chairman includes a certain matter on the agenda of the following meeting. Written notice shall be served sufficiently in advance, not less than three days, and must include the agenda. However, a meeting of the Audit Committee will be deemed validly convened when all its members are present and they agree to hold the meeting.

Quórum

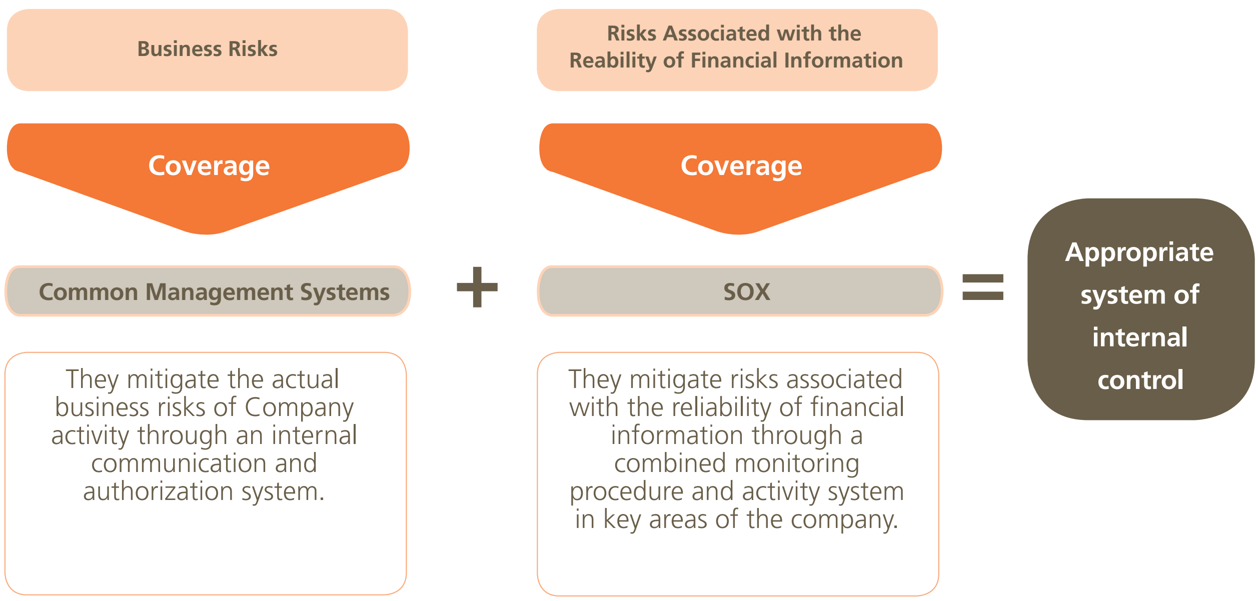
The Audit Committee will be considered to have a valid quorum when a majority of its members are present. Attendance may only be delegated to a non-executive Board Member.

A resolution is deemed valid where a majority of the Committee members in attendance vote in favor. In the event of a tie, the Chairman shall cast the deciding vote.

Abengoa's Risk Management Model

In a group the size of Abengoa, with more than 550 companies operating in more than 70 countries worldwide and boasting over 22,000 employees, a common business management system is an absolute necessity, thereby enabling us to work effectively on a coordinated and consistent basis.

Our Risk Management model is composed of two core elements:



Business Risks:

Abengoa manages its risks using the following model, which is intended to identify any potential risks in a business.

Environment Risks

Catastrophic Losses	Relations with Shareholders

Internal Procedure Risks

Operations	Management	Financial
Compliance / Environment	Authority	Credit
Product Failures	Communications	Currency
Interruptions	Information Processes	Liquidity
Efficiency	Access	
Human Resources	Availability	
Erosion of the Commercial Framework	Relevance	
	Integrity	

Decision-Making Information Risks

Operations	Financial	Strategic
Contractual Undertaking	Regulator Report	Enviroment
Price Setting	Erroneous Information	Strategic Planning
	Taxes	

The procedures aimed at eliminating the above business risks are implemented through the so-called "Common Management Systems".

The "Common Management Systems" serve to identify not only the risks included in the current model, but also the monitoring activities used to mitigate them. They therefore put the internal rules for action into practice and represent a shared culture in the management of Abengoa's businesses.

Through the Common Management Systems, we can also:

- Optimize day-to-day management, applying procedures geared towards financial efficiency, cutting costs and standardizing and ensuring the compatibility of information and management systems.
- Promote synergies and value creation among Abengoa's different Business Units.
- Reinforce corporate identity, with all Abengoa companies adhering to the shared values.
- Attain growth through strategic development, seeking innovation and new options in the medium and long term.

The Systems cover the entire organization on three levels:

- All Business Units and areas of activity
- All levels of responsibility.
- All types of operations

Meeting the provisions of the Common Management Systems is compulsory for the whole organization and, therefore, they must be known to all the members thereof. Any possible exemptions from the duty to comply with the Systems must be communicated to the individual concerned and duly authorized.

The Common Management Systems are submitted to an ongoing process of updating, which allows best practices to be incorporated into each of their fields of action. To better raise awareness, successive updates are immediately notified to the organization electronically.

Those responsible for each of the rules that make up the Common Management Systems must verify and certify compliance with said rules. Each year's certification is issued and presented to the Audit Committee in January of the following year.

Risks Associated with the Reliability of Financial Information:

In 2004, Abengoa began the process of adapting its structure of internal control over financial information to the requirements set forth in Section 404 of the SOX Act. This process of alignment was completed in 2007, although it continues to be implemented in any new company acquisitions as they occur.

The SOX Act was passed in the United States in 2002 in order to ensure transparency in management and the accuracy and reliability of the financial information published by companies listed on the U.S. stock market (SEC registrants). This law makes it mandatory for these companies to submit their internal control system to a formal audit by their financial auditor, which must also issue an independent opinion on this control system.

According to the instructions of the Securities and Exchange Commission (SEC), SOX Act compliance is mandatory for companies and groups that are listed on the US stock market. Even though only one of its Business Units – Information Technologies (Telvent) – is subject to SOX-compliance, Abengoa considers it necessary to comply with these requirements not only in the case of this Nasdaq-listed subsidiary, but for all Group companies, as these requirements complete the risk control model employed by the company.

At Abengoa we view this legal requirement as an opportunity for improvement, and, far from limiting ourselves to compliance with the provisions of the law, we have endeavored to enhance our internal control structures, control procedures and the evaluation procedures we apply to the fullest.

The initiative arose in response to the group's rapid growth over the last few years as well as anticipated future growth. The purpose is to be able to continue ensuring investors that our financial reports are accurate, timely and complete.

With the aim of complying with the requirements under Section 404 of the SOX Act, Abengoa's internal control structure has been redefined using a "top-down" approach based on risk analysis.

This risk analysis encompasses the preliminary identification of significant risk areas and the evaluation of the company's controls over them, starting with top-level executives – corporate and supervisory controls – subsequently going down to the operational controls in place in each process.

Our focus is as follows:

- A top-down approach to risk assessment, identifying areas of greater risk.
- Integration of Financial Statement audits and internal control reviews, paying special attention to the Company's General Control Environment (GCE).
- A focus that combines SOX Section 404 with the Internal Auditing work being performed.
- A working plan that identifies the most relevant business areas and the most significant accounts in a way that ensures satisfactory coverage of the associated risks involved.
- Internal auditing teams made up of professionals with experience and expertise in the sector.
- Use of experienced experts to support the internal auditing teams as needed depending on the task.

Our work involves the following aspects:

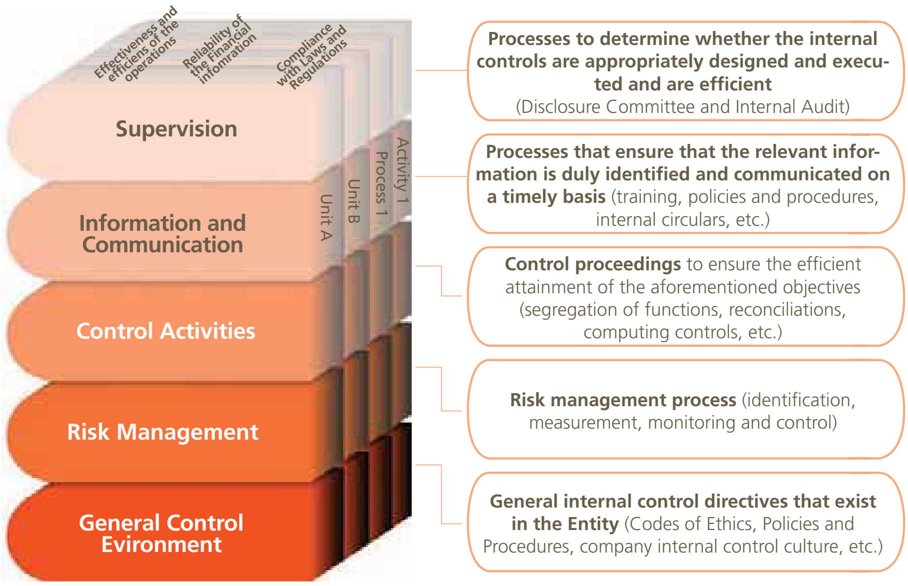
Processes	Understanding the process of generating financial information
Risks	Identifying potential areas of risk associated with financial information
General Control Environment	Identifying control systems employed by management to mitigate risk
Assessment of control design	Making sure that the control design is effective in mitigating risk
Testing	Validating the operational efficiency and proper functioning of the controls
Conclusion	Reaching a conclusion on the degree of confidence in the controls and assessing the impact associated with the generation of financial information, concerning the possible need to conduct further testing

Our Internal Control Model:

Abengoa considers that an appropriate internal control system must ensure that all the relevant financial information is reliable and known to the Management. We therefore believe that the model developed in line with the SOX requirements complements and forms part of our Common Management Systems, the main purpose of which is to control and mitigate business risks.

Our chosen conceptual reference framework is the COSO model, because it is most similar to the approach required under SOX. Under this model, internal control is defined as the process carried out in order to provide a reasonable degree of security in relation to the attainment of objectives such as compliance with laws and regulations, reliability of financial information and operational effectiveness and efficiency.

Coso Model



Monitoring and Control of the Risk Management Model

Abengoa's monitoring and control of the risk management model is structured around the Joint Audit Services. These include the audit teams of the Companies, Business Units and Corporate Services, all of which coordinate their work and report to the Audit Committee of the Board of Directors.

Internal auditing objectives

Among its strategic objectives, we can highlight the following:

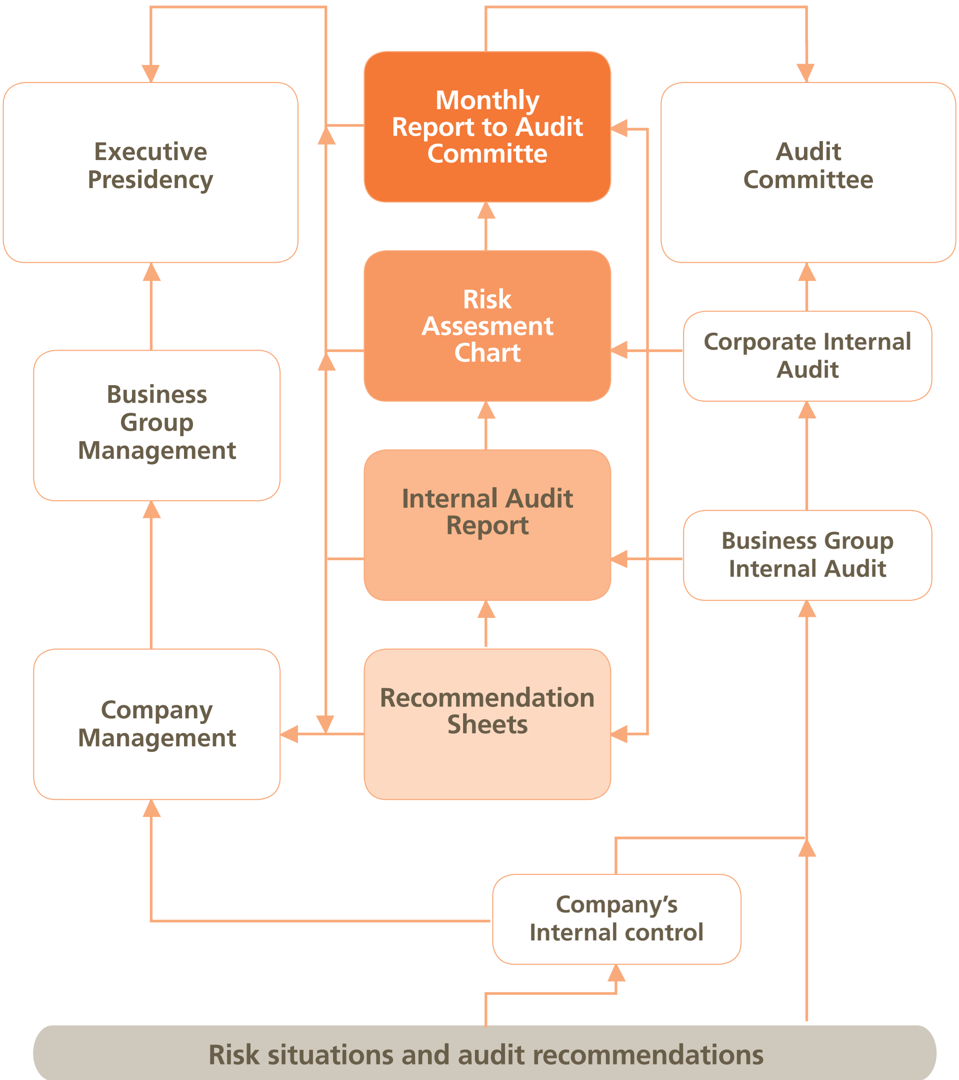
- Forestalling the audit risks of the Group's companies, projects and activities, such as fraud, capital losses, operational inefficiencies and, in general, any risks that may affect the healthy running of the business.
- Controlling the manner in which the Corporate Common Management Systems are applied.
- Promoting the creation of rules and procedures for efficient management.
- Creating value for Abengoa by fostering the need to create synergies and monitor optimal management practices.
- Aligning criteria and working approaches with the external auditors, seeking the highest level of efficiency and profitability in both functions.
- Following our decision to adopt the Sarbanes-Oxley Act requirements as described above, the internal auditing team must ensure the security and reliability of the financial information by checking the controls in place for such purpose and making sure they work properly.

In order to fulfill these strategic objectives, the Joint Audit Services have the following specific objectives:

- Evaluating the audit risk of Abengoa companies and projects following an objective procedure.
- Defining standard internal auditing and internal control working regulations in order to develop the pertinent work plans with the scope thereof suited to each situation. This methodology, which is based on assessing audit risk, allows us to determine the work plans we need to perform.
- Guiding and coordinating the internal auditing and control work planning processes of the companies and Business Units, defining a suitable procedure for providing notice of such work and communicating with the parties involved and establishing a coding system for the work, so that it can be appropriately controlled and monitored.
- Establishing the process for communicating the results of each piece of audit work, along with the affected individuals and the format of the documents employed for such purpose.
- Reviewing application of the plans, appropriate performance and supervision of the work, prompt distribution of the results and monitoring of the recommendations and the implementation thereof.
- Reviewing the proper operation of the manual and automatic controls identified in the processes, together with evidence of control in order to guarantee security in obtaining the financial information.

Following the doctrine of The Institute of Internal Auditors and its Spanish branch, the Instituto de Auditores Internos, the ultimate aim of this structure is to provide the Management of Abengoa and of each of its Business Units with an extra "control" flow of information, running parallel to the normal hierarchical flow, but with permanent horizontal information channels between each of the hierarchical levels of the Companies and Business Units and the pertinent Internal Audit services, all applying clear and transparent criteria and safeguarding the confidential information involved.

This structure is illustrated in the following diagram:



Internal Control Environment in Information Systems

Abengoa's information systems are intended to support the company's own general control environment. Management of Abengoa information systems is based on the various reference frameworks described below.

Common Management Systems: IT Resource Management

The Common Management Systems contain internal regulations regarding IT Resource Management. These rules are intended to fulfill four objectives:

- To report on the main characteristics of the corporate information systems.

- To standardize, through the definition of technological norms, the necessary features of the hardware and software utilized at Abengoa, and to define the operational procedure to be followed in order to obtain them.
- To standardize and ensure appropriate service levels for Abengoa's IT systems and communications, and increase the availability, performance, security and evolution of the underlying technological infrastructures.
- To heighten security (understood in terms of confidentiality, integrity and availability) of the technological infrastructures involved, as well as their performance and efficiency.

Information Systems

The most relevant aspects related to internal control of the Information Systems are the automatic control activities and the Information System Management process, all of which have been reinforced as a product of SOX implementation.

The automatic control activities are control mechanisms belonging to the numerous applications that make up Abengoa's Information Systems. They minimize and prevent errors in data entry, approvals, etc. The automatic controls help to ensure the integrity and reliability of our financial information.

The Computer System Management process centers on more specific aspects of the information systems. Based on management frameworks and best market practices, such as Cobit and ITIL (Information Technology Infrastructure Library), it meets the control requirements stipulated under SOX regarding program development, program modification, operations within computer environments and system and data access.

The process involves a combination of manual and automatic activities throughout all Systems areas, including project management and control, development, support, incident management, supplier and client management, physical security, logical security and business continuity.

Information Security Management System (ISMS)

With the aim of managing security measures for Abengoa's communications and corporate information systems, the company has an Information Security Management System (ISMS), which acts as a tool enabling us to fulfill our security-related objectives, with security understood to include:

- Confidentiality: only authorized individuals may access information;
- Integrity: the information and its processing methods are accurate and complete;
- Availability: authorized users have access to information whenever they need it.

This system, which is certified under ISO 27001 criteria, encompasses a policy on security, risk analysis, security controls in 11 areas, and a cycle of continuous improvement for integrating security into the working duties of all company employees.

The management reviews the ISMS on an annual basis, and risk analysis is repeated in each review, taking any changes to the computer environment into consideration, as well as any new threats to the information systems.

The security controls cover 11 general areas: administrative (policy on security, asset classification, security in relationships with third parties, security aspects involved in human resources), technical (physical security, security in operations and communications, access control, software development, acquisition and maintenance), operational (incident management, continuity management), and regulatory (compliance with legal requirements and provisions).

The ISMS continuous improvement cycle makes full use of corporate tools for preventive and corrective actions, thereby further integrating the system into the business.

Control Applications – SDA

In addition to the previously described management framework, Abengoa has a raft of applications in place to support this control environment, noteworthy among which is the Separation of Duties Application (SDA).

This system has the following objectives:

- To ensure that system access is limited to authorized individuals only.
- To provide a framework for defining any incompatible duties in processes that have an impact on the generation of financial information.
- To establish a secure framework for granting access to systems, making sure that there is due separation of duties in the tasks performed by each user.

The system thus ensures that when assigning an individual to a workstation, he or she will not perform duties that are mutually incompatible. In other words, SDA provides an efficient and effective system for managing users and company access.