03.1 Financial capital

Current financial situation

Abengoa's activity during 2016 has been determined by the financial restructuring process that began in November 2015 and ended in March 2017.

On 16 March 2016 and after four months of negotiations with its financial creditors, Abengoa presented a proposed business plan and financial restructuring that would provide the basis for determining the final restructuring agreement.

While the final plan was being developed, and in view of the deadline of legal protection provided for in Article 5bis of Law 22/2003, on 28 March Abengoa submitted the application for approval of a standstill agreement to the Mercantile Court No. 2 of Seville, with the support of 75 % of creditors at whom it was addressed.

This standstill agreement was approved by the court on 6 April, giving Abengoa a maximum period of seven months to complete negotiations with its financial creditors and sign a definitive financial restructuring agreement.

In this vein, on 16 August 2016 Abengoa presented the market with the principles on which the final Restructuring Agreement would be based. This agreement was signed by Abengoa and a group of its creditors on 24 September 2016 and, subsequently, with the support of 86 % of creditors at whom it was targeted, an application for approval was lodged with Mercantile Court No. 2 of Seville and this was obtained on 8 November 2016.

Lastly, on 22 November 2016 approval was obtained at the Extraordinary Shareholders Meeting with regard to the resolutions necessary to implement the Restructuring Agreement, primarily a share capital increase.

The implementation of these resolutions occurred during subsequent months, concluding on 31 March 2017.

Abengoa's **main objective** in the **restructuring process** has been **to balance its capital structure** and endow the company with the **necessary stability to resume its normal activity** in the **shortest possible time**. In the medium term, Abengoa must be able to develop a balanced business model, with special emphasis on cash generation that allows it to operate and grow in a sustainable way.

Abengoa's financing model

The financial restructuring that took place during 2016 and which Abengoa completed in March 2017 marked a **significant change in the capital structure**, the shareholding structure and the model of medium-term financing.

At 31 December 2016, before implementation of the financial restructuring, Abengoa's financing model was based on the following pillars:

- **Capitals market** (40 % of financing): includes mainly high performance bonds but also two convertible bonds [1], a redeemable bond [2] and a commercial paper scheme.
- **Credits with financial institutions** (35 % of the financing): the main source of corporate financing is a credit syndicated by a banking pool. In addition, there are institutional lending agencies such as the Official Credit Institute (ICO) or several export credit agencies. Together with the capitals market debt, these represent the corporate financing.
- **Project financing** (25 % of the financing): this kind of financing is generally used as a resource for the construction or acquisition of assets, taking as collateral exclusively the assets and cash flows of the company or group of companies that perform the activity associated to the asset being financed. It constitutes the long-term financing (Project Finance) of concession projects, whose guarantee are the projects themselves. This type of debt also includes non-recourse financing in process (bridging loan) serving as temporary financing until the closure of long-term non-recourse debt.

Financial restructuring effect

Most corporate financing and bridging has undergone financial restructuring through release or capitalisation, and refinancing, replacing existing instruments with others of new issue ("*Old Money*"). In addition, the new liquidity injected into the company as part of the restructuring ("*New Money*") was also instrumentalized in the form of debt. Both the New Money and the Old Money have been instrumented primarily in bonds traded on a regulated market and loans with credit institutions.

Note 1 Convertible bond: fixed-income financial asset that can be converted into a specific number of shares of the issuing company through a share capital increase.

Note 2 Redeemable bond: fixed-income financial asset that can be converted into a specific number of shares of a company in which the issuer has a stake.

As a consequence of the financial gross restructuring, the debt at 31 December 2016 is estimated to have been reduced from €M 9,681 to €M 3,477. This amount is distributed into the following categories:

- **Capitals market** (52 % of the financing): comprising five new bonds issued as “New Money” and “Old Money”.
- **Loans with credit institutions** (42 % of the financing): comprising eight new loans signed primarily with credit institutions as “New Money” and “Old Money”.
- **Project financing** (5 % of the financing): the bridging loan was practically restructured in full in order to form part of the bonds traded on capitals markets or loans with credit institutions, while project finance has remained untouched.

Transparent communication *G4-27, G4-50*

One of the main objectives and priorities of Abengoa is to provide a transparent and accountable communication that enables it to offer investors and analysts the information needed to carry out a comprehensive analysis of the organisation’s performance in different areas (economic and financial, social and environmental, etc.).

Abengoa is **keenly aware** of the importance of **continuously enriching the information provided to its stakeholders**, providing increasingly comprehensive content tailored to their needs and circumstances, building better relationships while perfecting channels of dialogue **to provide a greater information flow**. This commitment becomes even more relevant considering the delicate situation in which the company has been immersed in 2016, and the major impact that this situation has had on its stakeholders.

During 2016, activity in communication with investors has been very different from that of other years. In these extraordinary circumstances, for example, there have not been any roadshows or attendance at conferences with investors, events that are usually focused on sharing information related to the business activity and the company’s future.

The company engaged its efforts on keeping its investors, shareholders and creditors informed on progress in negotiations of the financial restructuring and to explain the details of this and the impact at economic level it would have on their investments in Abengoa. Accordingly, the following actions took place:

Creation on the Abengoa website of the new section dedicated exclusively to providing information on new items related to the restructuring, that included:

- Five explanatory presentations of the details of the restructuring.
- Summary of all communications in the form of a Relevant Fact to the CNMV (Spanish Securities Exchange Commission) relating to this process from November 2015 to March 2017.
- Section of specific frequently asked questions (FAQs) for each stakeholder group: shareholders, bondholders, financial institutions, customers and suppliers. This section has been updated as milestones in the process were reached.
- Specific contact details within the company for shareholders, bondholders and financial entities.

The holding of six specific telephone conferences for bondholders and financial institutions safeguarding these securities to explain the specific procedure of participation in the restructuring process.

Extremely limited communication with analysis agencies, many of which stopped covering Abengoa due to the company’s situation. None of these entities closed the year with a positive recommendation.

Telephone helpdesk for all shareholders, bondholders and custodians of bonds that had doubts about the restructuring process.

Management of around 4,068 applications through the shareholder’s mailbox.

Number of visits to the shareholders’ website: 137,948 visits, equivalent to 18.73 % of all visits received at www.abengoa.com.

The **main doubts and questions of stakeholders** concerned:

- The impact of the restructuring on their investments in the company
- Terms offered to financial creditors
- Consequences for shareholders
- Procedure for taking part in the restructuring under the different terms offered

On the Abengoa website, the shareholder and investor section is the most visited –after the main or home page– with approximately 20 % of visits. Within the section of shareholders and investors, interested parties will be able to find a lot of relevant information, the most prominent of which is:

- A section dedicated to the financial restructuring
- Relevant events and other communications to the CNMV (Spanish Securities Exchange Commission)
- Annual report
- Presentations
- Information on the share
- Fixed income and bonds
- Structure of governing bodies

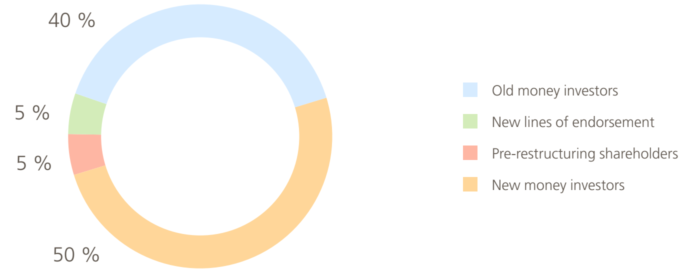
Within the "Shareholders and Investors" section of the website, the most visited sections by some distance were those dedicated to the restructuring process and the relevant events.

Shareholding structure *G4-7, G4-9*

Abengoa's shareholder structure has undergone a complete transformation as a result of the financial restructuring which will end on 31 March 2017.

- The hitherto reference shareholders, Inversión Corporativa and Finarpisa, saw their stake significantly diluted as a result of the capital increase.
- The suppliers of New Money and the new lines of endorsements were awarded 50 % and 5 % of the capital, respectively.
- Existing creditors that saw their credit restructured in Old Money were awarded 40 % of the capital.

Accordingly, the **new ownership structure of Abengoa**[3] as a result of part of the Restructuring Agreement was as follows:



Abengoa's **shareholding base** is **composed** almost **entirely** of **financial institutions** and **investment funds**, so a high rotation is to be expected. Following the share capital increase, the existing reference shareholders (Inversión Corporativa and Finarpisa) saw their stake diluted and, in the absence of reference shareholders we can consider that **Abengoa's free-float is close to 100 %**.

Abengoa is a listed company with share capital of € 36,654,895.16[4], represented by 18,836,119,300 shares fully subscribed and paid up, belonging to two different classes:

- 1,660,993,500 shares belong to class A[5], with an individual face value of € 0.02, which individually confer 100 votes.
- 17,175,125,800 shares belong to class B[6], with an individual face value of € 0.0002, which individually confer one vote.

Note 3 Abengoa's shareholding base is composed almost entirely of financial institutions and investment funds, so a high rotation is to be expected, modifying the shareholding structure resulting from the financial restructuring. Following the share capital increase, the existing reference shareholders (Inversión Corporativa and Finarpisa) saw their stake diluted and, in light of the nonexistence of reference shareholders, we can consider that the free-float of Abengoa is close to 100 %.

Note 4 The figure following the issue of 17,894 million shares in the share capital increase carried out on 29 March 2017 as part of the financial restructuring. These new shares were accepted for trading on 31 March 2017.

Note 5 Class A shares: shares that have 100 votes per share (+ info).

Note 6 Class B shares: shares that have one vote per share (+ info).

The class A and class B shares are accepted for official trading on the Stock Markets of Madrid and Barcelona and on the Spanish Electronic Market (SIBE)[7]. The class A shares have been accepted for trading since 29 November 1996 and the class B shares since 25 October 2012. During 2016 Abengoa completed the process of opting out its American Depositary Receipts (ADRs) from the NASDAQ Stock Market and exclusion of its Class B shares from the Securities and Exchange Commission ("SEC").

As a consequence of the financial restructuring, the former reference shareholders Inversión Corporativa and Finarpisa saw their stake reduced to 2.24 % and 0.30 %, respectively, and the main creditors of Abengoa prior to the restructuring became the main shareholders. On 31 March 2017, the main shareholders immediately following introduction of the restructuring were:

Name	Voting Rights (%)
Banco Santander, S.A.	9.63
Crédit Agricole CIB	8.77
Caixabank, S.A.	4.95
Bankia, S.A.	4.64
Banco Popular Español, S.A.	4.58
D.E. Shaw	3.62
Arvo Investment Holdings S.à r.l.	3.53
Banco de Sabadell, S.A.	3.18
Total	42.90

Share trend

The stock market trend of Abengoa's shares during 2016 has been determined by the financial restructuring process that began in November 2015 when Abengoa requested the protection of Article 5bis of the Spanish Insolvency Act.

The B share started the year at € 0.212 / share, and at the end of the same was trading at € 0.188 / share, equivalent to a devaluation of 11 %.

The share began the year continuing the downward trend with which it ended 2015, reaching the year's minimum of € 0.132 / share on 12 February. Thereafter, during the first half of the year the share price has been conditioned by the news about Abengoa's negotiations with its creditors. In this regard, during March the share shifted to an upward trend reaching the year's maximum of € 0.363 / share on 8 March, as a result of progress on Abengoa's initial agreement with its creditors on restructuring which was announced on 11 March and presented to the public on 16 March. This standstill agreement removed the immediate risk of Abengoa requesting an Arrangement with Creditors and gave the company time to draw up the definitive agreement with shareholders in more detail. This positive trend ended on 30 June, when the chairman of Abengoa confirmed at the General Meeting of Shareholders the progress made for signing the final restructuring agreement.

From then until the end of the year, the share suffered erratic behaviour caused mainly by speculative movements of market participants and also by the continuous flow of positive and negative information about the company, mainly the delay in implementing the financial restructuring announced in September and expected by the end of 2016, but which was finally completed on 31 March 2017.

Note 7 Spanish Stock Market Interconnection System (SIBE): an electronic platform for trading equity securities of the national stock exchanges that offers real-time information on the activity and trend of each share.