# 03. Consolidated management report

# Consolidated Management Report as of December 31, 2016

## 1.- Entity's position

### 1.1. Organizational structure

Abengoa, S.A. is a technological parent company of a group of companies, which at the end of the year 2016 included the following:

- The holding parent company itself.
- 523 subsidiaries.
- 83 associates and 24 joint ventures; as well as certain companies of the Group being involved in 193 temporary joint ventures. Furthermore, the Group's companies have shareholdings of less than 20% in other entities.

Independent to the legal structure, Abengoa is managed as outlined below.

Abengoa is an international engineering company that applies innovative technology solutions for sustainability in the energy and environment sectors, generating electricity from renewable resources, converting biomass into biofuels and producing drinking water from sea water.

Abengoa's activities are organized into the following two activities:

- Engineering and construction.
- Concession-type infrastructures.

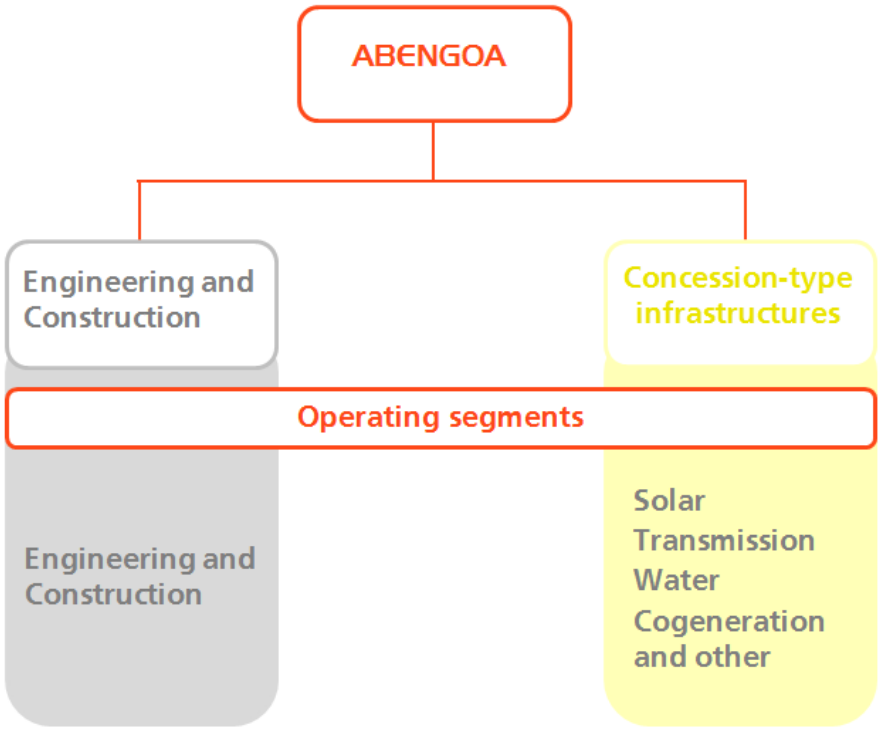
As a consequence of the sale processes opened given the discontinuance of Bioenergy and the transmission lines in Brazil based on the Updated Viability Plan of Abengoa approved by the Board of Directors on August 3, 2016, and due to the significance of their activities developed by Abengoa, their Income Statement and Cash flow statements have been reclassified to discontinued operations in the Consolidated Income Statement and in the Consolidated cash flow statement as of December 31, 2016 and 2015. The classification has been done in accordance with the IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations'.

Directors consider that the signature of the Restructuring Agreement will involve the application of measures determined in the Updated Viability Plan. Consequences that would overcome relating to financial information presented by segments are being assessed in accordance with the IFRS 8 "Operating Segments".

Abengoa's Chief Operating Decision Maker ('CODM') assesses the performance and assignment of resources according to the above identified segments. The CODM in Abengoa considers the revenues as a measure of the activity and the EBITDA (Earnings before interest, tax, depreciation and amortization) as measure of the performance of each segment. In order to assess the performance of the business, the CODM receives reports of each reportable segment using revenues and EBITDA. Net interest expense evolution is assessed on a consolidated basis given that the majority of the corporate financing is incurred at the holding level and that most investments in assets are held at project companies which are financed through project debt. Amortization and impairment charges are assessed on a consolidated basis in order to analyze the evolution of net income and to determine the dividend pay-out ratio. These charges are not taken into consideration by CODM for the allocation of resources because they are non-cash charges.

The process to allocate resources by the CODM takes place prior to the award of a new project. Prior to presenting a bid, the company must ensure that the project debt for the new project has been obtained. These efforts are taken on a project by project basis. Once the project has been awarded, its evolution is monitored at a lower level and the CODM receives periodic information (revenues and EBITDA) on each operating segment's performance.

Abengoa structure




## 1.2. Operation

### a) Activities information

Abengoa's activity is grouped under the following 5 operating segments:

- Engineering and construction; includes our traditional engineering business in the energy and water sectors, with more than 70 years of experience in the market. Since the beginning of 2014, this activity comprises one operating segment Engineering and Construction.

  Abengoa specializes in carrying out complex turn-key projects for thermo-solar plants, solar-gas hybrid plants, conventional generation plants, biofuels plants and water infrastructures, as well as large-scale desalination plants and transmission lines, among others. In addition, this segment includes activities related to the development of thermo-solar technology, water management technology and innovative technology businesses such as hydrogen energy or the management of energy crops.

- Concession-type infrastructures; groups together the company's proprietary concession assets that generate revenues governed by long term sales agreements, such as take-or-pay contracts or power purchase agreements. This activity includes the operating segment of Atlantica Yield (ABY), the operation of electric (solar, cogeneration or wind) energy generation plants, desalination plants and transmission lines. These assets generate low demand risk and we focus on operating them as efficiently as possible.

  The Concession-type infrastructures activity again comprises four operating segment:

  - Solar – Operation and maintenance of solar energy plants, mainly using thermo-solar technology.
  - Water – Operation and maintenance of facilities aimed at generating, transporting, treating and managing water, including desalination and water treatment and purification plants.
  - Transmission – Operation and maintenance of high-voltage transmission power line infrastructures.
  - Cogeneration and other – Operation and maintenance of conventional cogeneration electricity plants.

### b) Competitive position

Over the course of our 70-year history, we have developed a unique and integrated business model that applies our accumulated engineering expertise to promoting sustainable development solutions, including delivering new methods for generating power from the sun, developing biofuels, producing potable water from seawater, efficiently transporting electricity, among others.

A cornerstone of our business model has been investment in proprietary technologies, particularly in areas with relatively high barriers to entry. Thanks to it, we have a developed portfolio of businesses focused on EPC and concession project opportunities, many of which are based on customer contracts or long-term concession projects attractive and growing energy and environmental markets.

# 2.- Evolution and business results

## 2.1. Financial position

### a) Going concern

In accordance with IAS1, which requires the Financial statements to be prepared regarding the going concern principle, unless Directors have the intention or any other real alternative of liquidation or cease of activity, the Consolidated Financial Statements at December 31, 2016 have been prepared applying this principle.

- The following summary shows the facts related during the period of the year 2016 until the preparation of the present Consolidated Financial Statements for the year ended December 31, 2016, in relation with the financial restructuring process realized in Abengoa since the November 25, 2015 after filing the application provided in Article 5 bis of Law 22/2003 by Directors of the Company:

  a) In relation to the proceeding provided by the law 22/2003 (Ley Concursal) and the beginning of the financial restructuring process, it should be noted that;

  - On January 25, 2016, the Company announced that the independent and specialized consulting firm on refinancing process Alvarez&Marsal presented to the Board of Directors of Abengoa the Industrial Viability Plan that defined the structure of the future activity of Abengoa on an operating basis focusing on the activity of engineering and construction either developing its own technology or using technology developed by others.

  - Based on this Initial Viability Plan, that confirmed the viability of Abengoa, the Company began negotiations with its creditors to restructure the debt and the necessary resources and provide Abengoa the optimal capital structure and the sufficient liquidity to continue operating competitively and sustainably in the future.

  - In this sense, and in relation to the negotiations between the Company and a group of creditors comprised of banks and bondholders issued by the Group, as of March 10, 2016, the Company informed that has agreed with the advisers of such creditors the grounds for an agreement to restructure the financial indebtedness and recapitalize the Group. The Company believed that such agreement contained the essential elements to achieve a future Restructuring Agreement that, in any event, would be subject to reaching the accessions percentage required by the Ley Concursal. On March 18, 2016, the Company and a group of creditors comprised of banks and bondholders issued by the Group, subscribed a standstill agreement with the objective of providing the necessary time to keep working and reaching, as soon as possible, a full and complete agreement according to the terms and conditions to restructure the financial indebtedness and recapitalize the Group. In order to reach this purpose, among other obligations assumed by all parties, the arrangement with parties contained expressly the compromise of creditors to abstain from claiming or accepting the payment of any amount owed as current amortization debt or advanced payments of capital or interest, as well as to charge default interests as a consequence of non-performance by the debtor until the effective date of implementation of the Restructuring Agreement.

  - With respect to the foregoing, as of March 28, 2016, an application for the judicial approval of the standstill agreement (the "Standstill Agreement") has been filed to the Mercantile Court of Seville nº 2 which obtained the support of 75.04% of financial creditors to which it was addressed, being therefore over the legally required majority (60%). Additionally, on April 6, 2016, the judge of the Mercantile Court of Seville nº2 issued the approval of the Standstill Agreement and extended the maturity of the agreement until October 28, 2016 (included), to the financial liability creditors which have not subscribed it or which showed the disconformity to the agreement. This agreement was impugned by some creditors and, on October 24, 2016, the judge issued a final sentence agreeing to reject almost all impugnation referred to the lack of compliance of percentages and, as a consequence, maintaining the approval agreed. Only the claims of three petitioners were accepted based on the existence of a disproportionate sacrifice revoking, consequently, the effects of the standstill agreement to such petitioners.

  - From that moment until now, the Company has continued with the negotiation process with its main financial creditors and potential investors in order to develop the agreed terms of reference. In the context of these negotiations and the circumstances that have been affecting to our projects since the Initial Viability Plan was prepared, an Updated Viability Plan was prepared during the second half of May, which was later approved by the Board of Directors on August 3, 2016 as well as the term sheet of the Restructuring Agreement which was subscribed afterwards by the main creditors and which is mentioned below. Such plan was approved on August 16, 2016.

  - Such Updated Viability Plan showed the negotiations and difficulties that Abengoa experienced in certain projects as well as the changes which, as a result, had been made with respect to the Initial Viability Plan, as well as the review of certain hypothesis in the mentioned Plan and the updating of the expected date of reactivation of our operations. Therefore, all of this calls for a significant reduction of Abengoa's cash needs, which were

established identified in this Updated Viability Plan, in approximately €1,200 million, compared to the initially estimated figure of €1,500 - €1,800 million.

› Pursuant to the preparation of the Updated Viability Plan and the ongoing negotiations, on June 30, 2016, Abengoa announced that had reached grounds for an agreement with the Bank Coordination Committee and a group of bondholders and investors on the main terms of the proposed financial restructuring to be signed.

› Afterwards, on August 11, 2016, the term sheet of the Restructuring Agreement was subscribed between Abengoa, S.A. and a group of entities comprising the main financial creditors and potential investors. Moreover, the Company received acceptance letters in order to underwrite the new money financing in an amount which exceeds the liquidity requirement of the Updated Viability Plan. Such agreement was subject to several conditions precedent which are common in this kind of transactions.

› On September 18, 2016, in the framework of the Updated Viability Plan and the terms of the financial restructuration subscribed on August 11, 2016, Abengoa Concessions Investments Limited ("ACIL"), a subsidiary of the Company, entered into a Secured Term Facility Agreement (the "Facility Agreement") with a group of financial entities, pursuant to which ACIL was entitled to borrow up to US$211 million and was required to enter into related security documents.

The amounts borrowed under the Facility Agreement had the purpose of refinancing all amounts owed under a secured term facility agreement between ACIL and Talos Capital Designated Activity Company on October 22, 2015 for a nominal amount of US$130 million and for general corporate and working capital purposes of the Company and its subsidiaries (the "Group").

› On the other hand, on September 24, 2016 the Restructuring Agreement has been signed, and granted by public deed before the Notary of Madrid, Mr. José Miguel García Lombardía, between the parent company, a group of Subsidiaries which debt was subjected to the restructuring and a group of financial creditors which either were holders of existing debt instruments or were also participated in the new money and new bonding facilities.

The fundamental principles of such agreement were the following:

(i) The amount of new money to be lent to the Group amounted to €1,169.6 million (including refinancing of the September and December 2015, March and September 2016 facilities). This financing would rank senior with respect to the preexisting debt and would be divided into different tranches:

- Tranche I: amounts to €945.1 million, with a maximum maturity of 47 months and secured by, among other things, certain assets that include the A3T project in Mexico and the shares of Atlantica Yield held by the Company. Creditors would be entitled to 30% of Abengoa's new share capital post restructuring.

- Tranche II: amounts to €194.5 million, with a maximum maturity of 48 months and secured by, among other things, certain assets in the engineering business. Creditors would be entitled to 15% of Abengoa's new share capital post restructuring.

- Tranche III: contingent credit facility of up to €30 million, with a maximum maturity of 48 months secured by, among other things, certain assets that include the A3T project in Mexico and the shares of Atlantica Yield held by the Company and with the sole purpose of providing guaranteed additional funding for the completion of the A3T project. Creditors would be entitled to receive 5% of Abengoa's new share capital post restructuring.

(ii) New bonding facilities will amount to €307 million .Financing entities would be entitled to 5% of Abengoa's new share capital post restructuring.

(iii) The restructuring proposal for the preexisting debt (Standard Restructuring Terms) will involve a 97% reduction of its nominal value, while keeping the remaining 3% with a ten year maturity, with no annual coupon or option for capitalization.

(iv) Creditors who adhere to the agreement can choose either the conditions laid out in section (iii), or alternative conditions (Alternative Restructuring Terms) which consist of the following:

- Capitalization of 70% of preexisting debt in exchange for 40% of Abengoa's new share capital post restructuring.

- The remaining 30% of the nominal value of the preexisting debt will be refinanced through new debt instruments, replacing the preexisting ones, which will rank as senior or junior depending on whether or not such creditor participates in the new money facilities or new bonding facilities. Such instruments will have maturities of 66 and 72 months respectively, with the possibility of an extension of up to 24 months, accruing annual interest of 1.50% (0.25% cash payment and 1.25% Pay If You Can). The junior instrument could be subject to additional reductions (provided that total reduction does not exceed 80% of the nominal value prior to the capitalization) if the aggregate amount of refinanced preexisting debt (after the 70% aforementioned capitalization) exceeds €2,700 million due to the crystallization of contingencies.

(v) At the end of the restructuring process, the current shareholders of the Company will hold around 5 % of the share capital. Eventually, through the issuance of warrants, they could increase such stake in a percentage to be agreed that will not exceed an additional 5%, if, within 96 months, the group has paid in full all outstanding amounts under the new financing to be provided in the framework of the restructuring and under the existing indebtedness (as this indebtedness may have been restructured), including its financial costs. Furthermore, the company intended to submit a proposal to merge the two types of existing shares into one sole class of shares for approval by a General Shareholders Meeting, although this was not considered a prerequisite of the Restructuring Agreement.

› In this sense, the Board of Directors of Abengoa, at its meeting held on October 10 and 17, 2016, unanimously resolved to call an Extraordinary General Shareholders' Meeting of the Company to be held at its registered address, Campus Palmas Altas, in Seville, on November 21, 2016, at 11:00 a.m., on first call, and if the required quorum is not met, on second call, the next day, November 22, 2016, at the same time and place, in order to approve resolutions to comply with the terms and conditions of the Restructuring Agreement dated 24 September 2016 (see Note 18 of the Notes to the Consolidated Financial Statements).

› Once the Restructuring Agreement was signed on September 24, 2016, an accession process to the rest of financial creditors began, period that ended on October 28, 2016, with the support of 86.0% of the financial creditors to which it was addressed, being therefore over the legally required majority (75 per cent) and allowing on October 28, 2016 the filing with the Mercantile Courts of Seville of the application for approval of the Restructuring Agreement. The Mercantile Court nº 2 of Seville had issued on October 31, 2016 the ruling by which allow the processing of the application due to its compliance with the needed formal requirements which consisted in filing the agreement to which the approval was expected and the auditor´s certification that confirmed the adoption by more than the 75% liability financial creditors.

› Once filed the homologation request, the following procedures in the United States and the United Kingdom were initiated:

- A Company Voluntary Arrangement ("CVA") in England and Wales at the request of Abengoa Concessions Investments Limited in accordance with Part I of the English Insolvency Act 1986; and

- Various procedures under Chapter 11 ("Chapter 11") of the U.S. Bankruptcy Code at the request of various subsidiaries incorporated in the United States.

Both the CVA and the Chapter 11 procedures have the objective of extending the Standard Restructuring Terms described previously to the liabilities of the companies promoting such procedures for those creditors that have not acceded to the Restructuring Agreement.

› On November 8, 2016 the Judge of the Mercantile Court of Seville No. 2 issued a resolution declaring the judicial approval of the Restructuring Agreement and extending the effects of the Standard Restructuring Terms set out in the Restructuring Agreement to those creditors of financial liabilities who have not signed the agreement or have otherwise expressed their disagreement with it. This agreement has been claimed by several creditors, although so far, the Court has not resolved yet such claims.

› As mentioned before, on November 9, 2016, in accordance with Clause 7.1.1(b) of the Restructuring Agreement, ACIL initiated a company voluntary arrangement pursuant to Part I of the Insolvency Act 1986 (the "CVA") to compromise its obligations as a guarantor of the Loans and the Notes (each term as defined below) owed to Guarantee Creditors, who have not adhered to the Restructuring Agreement prior to the end of the Supplemental Accession Period, through a write-off of 97 per cent of such guarantee obligations to reflect the compromise of the principal obligations under the Loans and Notes owed to such Guarantee Creditors. In such dates, the Nominees delivered to ACIL's creditors copies of the CVA Documents which included (i) the Notice of Meeting regarding the Creditors' Meeting, which would be held on 24 November 2016 at 10.00 a.m. (London time) at Linklaters LLP, 1 Silk Street, London EC2Y 8HQ, United Kingdom; (ii) the CVA Proposal; and (iii) the Statement of Affairs (together, the "CVA Documents"). The Creditors´ Meeting took place on November 24, 2016 and aproved the CVA agaisnts which, no claims were presented.

› The Extraordinary General Shareholders' Meeting of the Company held on second call on 22 November 2016, approved all the resolutions submitted for their approval and included in the agenda of the meeting that was submitted to this Commission by way of a material fact on 21 October 2016 (official register number 243836), except for the proposal to collapse the current dual-class share structure into a single-class share structure included under point 5 of the agenda, which was not brought to a vote as the required minimum quorum was not met. The Company informs that the non-approval collapse of the current dual-class share structure into a single-class share structure does not affect the implementation of the Restructuring Agreement.

› On 17 January 2017, Global Loan Agency Services Limited, as Restructuring Agent, notified the parties to the Restructuring Agreement in writing and in accordance with the Restructuring Agreement that it had received all of the documents or evidence listed in Schedule 5 of the Restructuring Agreement, in form and substance satisfactory to the Restructuring Committee and the NM1 Committee, thereby making January 17, 2017 the restructuring effective date (the "Restructuring Effective Date"). Following the occurrence of the Restructuring Effective Date on 17 January 2017, the Company provided a supplemental restructuring accession and securities crediting notice, dated 18 January 2017 (the "Supplemental Restructuring Accession and Securities Crediting Notice"), to its Existing Creditors in connection with the Restructuring Agreement. During such period, those Existing Creditors which had not adhered to the Restructuring Agreement during the initial accession period, had the opportunity to do it. Additionally, the Company required to all creditors that had not adhered to the Restructuring Agreement to provide the information required in order to receive the financial instruments (equity and debt) to which they had right as a consequence of its accession to the Restructuring Agreement. On February 3, 2017, the company announced that, after the end of the additional accession period, the Restructuring Agreement had been supported by the 93.97%.

› Finally, on 14 February 2017, the Company informed that, in light of the situation in Mexico andin order to accelerate the completion of the Restructuring and begin implementing the Viability Plan as soon as possible, Abengoa, together with some of its principal creditors and investors, has developed a proposal for the adjustment of the drawdown mechanism of new money financing (the "Drawdown Proposal") set out in the Term Sheet and the Restructuring Steps Plan to the Restructuring Agreement, maintaining the initial structure of the transaction.

  Such Drawdown Proposalwill require certain amendments to the Term Sheet, the Restructuring Steps Plan, the Restructuring Agreement and the New Money Financing Commitment Letter.

  In light of the fact that the consent of the Majority Participating Creditors is required to approve such amendments, the Company further informs that the Restructuring Agent will be providing an amendment request document, dated February 14, 2017 (the "Amendment Request Document"), to all Participating Creditors, which details the amendment request in connection with the Drawdown Proposal(the "Amendment Request") and in response to which all Participating Creditors should vote to approve or not approvethe proposed amendments set out therein. Abengoa hereby requested that all Participating Creditors perform the following actions as soon as possible and in any case before 5:00 pm (London Time) on February 28, 2017(the "Response Deadline"):

  (A) carefully review the proposed amendments set out in the Amendment Request Document (the "Amendments"); and

  (B) vote "Yes" (to approve the Amendments) or "No" (to not approve the Amendments) through (i) submission of Electronic Instructions, in the case of Existing Noteholders, or (ii) a response to the Restructuring Agent, in the case of Existing Non-Noteholders, in both cases as will be described in the documentation that accompanies such Amendment Request Document.

b) On the other hand, in relation with the proceedings in Brazil, on the occasion of the mentioned situation of Abengoa, it should be known that;

› On January 29, 2016, Abengoa filed the recuperação judicial applications in Brazil about the companies Abengoa Concessões Brasil Holding S.A., Abengoa Construção Brasil Ltda and Abengoa Greenfield Brasil Holding S.A, which were admitted on February 22, 2016. This measure was undertaken provided that the Company incurred in a "Crise econômico scenario", which is contemplated in Brazilian Law 11,101/05. "Recuperação judicial" consists in a proceeding provided by the Brazilian Law which allows corporations to restructure their debt in an orderly manner and continue as a going concern once the financial difficulties are overcome.

› In relation to the aforementioned, on April 20, 2016, Abengoa Brazil presented the Viability Plan (plano de Recuperaçao) in which the main premises are based on the divestment of certain concessional transmission line assets in operation, as well as the divestment of lines which currently are under construction. It is expected that these divestments will allow a favorable agreement to repay the debt already restructured in companies under recuperação judicial (negotiations are in progress with creditors) as well as the possible preservation of the construction activity in Brazil. As explained in Note 7 of these explanatory notes, both asset batches have been classified as non-current assets held for sale and discontinued operations due to the compliance, at December 31, 2016, of the IFRS 5´s requirements. In relation with lines in operation, on June 24, 2016, Abengoa has received an offer by which the asset fair value estimation have been made. This offer, will serve as starting price in the judicial auction process provided to this kind of insolvency proceedings in Brazil.

› On the other hand, and regardless of the mentioned negotiation process, on June 28, 2016, ANEEL´s Board of Director decided to authorize the Electricity Inspection Service Office "SFE" and the Superintendent of Economy and Financial Inspection "SFF" for the issuance of a communication to the owner companies of construction in progress (ATEs), informing about the contract breach, which may lead to a declaration of revocation of the concessions. On July 21, 2016 the owner companies of the assets under construction (ATEs) received the formal communication of breach that generated administrative processes, in which ATEs required a solution with ANEEL in order to try to compensate the execution of guarantees and penalties to be required as compensation for reversible assets. These processes are awaiting the pronouncement of ANEEL. According to Director´s opinion, it is expected to reach an amicable solution and therefore a non-significant impact is estimated.

Additionally, in relation to the legal possibility of transfer of those assets under construction, the "Senado Federal" (legislative authority of Brazilian Government to federal legislation issues), on October 19, 2016 approved the Conversion Project in Medida Provisoria law ("MP") n. 735/2016. This allows the tender to transfer the control of contributions in capital share in concessional companies, in which the contract of concession were signed until December 2015, 31 hypothes that applies to ATEs under construction. Next step to the conversion to law of this MP is the possibility to cancel by the President of the Republic, which has a term of 15 days since November 3, 2016, date in which the legislative process was received. The Temporary Measure was cancelled on 18 November 2016 A ruling was issued in the Judicial Recovery process on 2 December 2016 in which it was decided: i) to include these expiration proceedings in the Judicial Recovery process; ii) to suspend the proceedings and the execution of warranties to preserve the assets of holding companies in Judicial Recovery. A special hearing was scheduled for December 31, 2016 at which the Ministry of Mines and Energy, the ANEEL representative and the judicial administrator are called to appear. La Asamblea de Acreedores queda fijada para el 31 de marzo de 2017. The creditor´s meeting is scheduled on March 31, 2017.

c) Additionally, in relation to the proceedings in United States, on occasion as well of the mentioned situation of Abengoa, indicate that,

› On February 1, 2016 and February 10, 2016, certain creditors initiated involuntary bankruptcy petitions to the Missouri Bankruptcy Court against the American affiliates Abengoa Bioenergy Nebraska, L.L.C. and Abengoa Bioenergy Company, L.L.C. respectively. After responding to the petitions, on February 24, 2016, both companies mentioned above along with Abengoa Bioenergy Outsourcing, LLC, Abengoa Bioenergy Engineering and Construction, LLC, Abengoa Bioenergy Trading US, LLC, and Abengoa Bioenergy Holding US, LLC opted to file for voluntary creditors´ protection under Chapter 11 provided by the USA Law. These petitions have been filed in order to allow the Company to continue as a going concern and, consequently, they included the authorization request for the payment of taxes, salaries and insurance premiums and other first day motions. Additionally, a request for the approval of a debtor-in-possession financing arrangement amounting to US$41 million was also filed. The hearing for these initial motions took place on March 2, 2016 and, during them, such companies were authorized to borrow an initial amount of US$8 million (which were additionally complemented with US$1.5 million authorized on March 29, 2016).

› Moreover, on March 23, 2016, certain creditors filed an involuntary insolvency proceeding against Abengoa Bioenergy Biomass of Kansas, LLC (ABBK) at the Kansas court.

› Also on March 29, the following American affiliates Abeinsa Holding Inc.; Abencor USA, LLC; Teyma Construction USA, LLC; Abeinsa EPC, LLC; Inabensa USA, LLC; Nicsa Industrial Supplies, LLC; Abener Construction Services, LLC; Abener North America Construction, LP; Abengoa Solar, LLC; Teyma USA & Abener Engineering and Construction Services General Partnership; Abeinsa Abener Teyma General Partnership; Abener Teyma Mojave General Partnership; and Abener Teyma Inabensa JV filed, under the "United States Bankruptcy Code" and the Delaware court, the named Chapter 11 in order to allow the companies to comply with their obligations and minimize the loss of value of their businesses. Such companies have requested authorization for the payment of taxes, salaries and insurances as well as other first day motions.

› In relation to all the above, on March 28 and 29, 2016, and in accordance with the clause 5.2 of the Standstill agreement mentioned before, Abengoa, S.A. and several of its Spanish affiliates (the "Chapter 15 Debtors") commenced cases under Chapter 15 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware ("Delaware Bankruptcy Court"). In these cases, the Chapter 15 Debtors seek recognition by the Delaware Bankruptcy Court of the proceeding commenced in the Spanish Court to obtain judicial approval (homologación judicial) of the Standstill Agreement (the "Spanish Proceeding") and application of the Standstill Agreement within the territorial jurisdiction of the United States. In the initial hearings held on March 31, 2016, the Delaware Bankruptcy Court granted the Chapter 11 Debtors' requests relief and the Initial Chapter 15 Debtors' requested provisional relief to stay creditor actions against them. Both hearings were uncontested and all motions were granted.

- Additionally, on April 6 and 7, 2016 Abengoa US Holding, LLC and seven other affiliated U.S. debtors (collectively, the "Additional Chapter 11 Debtors") each filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the Delaware Bankruptcy Court (together with the Chapter 11 cases filed on March 29, 2016, the "Chapter 11 Proceedings"). All of the cases filed by the Additional Chapter 11 Debtors are being jointly administered with the lead Chapter 11 Proceeding filed on March 29, 2016 in the Delaware Bankruptcy Court. The Additional Chapter 11 Debtors are comprised of the following legal entities: Abener Teyma Hugoton General Partnership, Abengoa Bioenergy Biomass of Kansas, LLC, Abengoa Bioenergy Hybrid of Kansas, LLC, Abengoa Bioenergy New Technologies, LLC, Abengoa Bioenergy Technology Holding, LLC, Abengoa US Holding, LLC, Abengoa US Operations, LLC and Abengoa US, LLC.

- The Company further informs that at the initial hearing held on April 27, 2016 on the Chapter 11 petitions filed on April 6 and 7, 2016 by the additional Chapter 11 Debtors, the Delaware Bankruptcy Court granted the first-day relief requested by all but one of those debtors. With respect to ABBK's Delaware case, it was noted that on April 25, 2016 the U.S. Bankruptcy Court for the District of Kansas (the "Kansas Bankruptcy Court") had issued an order denying ABBK's request to transfer to the Delaware Bankruptcy Court an involuntary Chapter 11 case commenced against it on March 23, 2016 in the Kansas Bankruptcy Court. Referring to the Kansas Bankruptcy Court's ruling and the Delaware Bankruptcy Court stated that it would honor that decision, ordered a stay of ABBK's Chapter 11 case in Delaware, and directed ABBK to show why its Delaware case should not be dismissed. On May 2, 2016, ABBK moved to certify the Kansas Bankruptcy Court's ruling for direct appeal to the U.S. Court of Appeals for the Tenth Circuit and requested a stay of the Kansas bankruptcy case order pending the outcome of that appeal.

- The Company further informs that on April 26, 2016 its subsidiary Abengoa Solar LLC ("Abengoa Solar"), one of the Initial Chapter 11 Debtors, filed a motion requesting the Delaware Bankruptcy Court's authorization to consummate the sale of interests that two of Abengoa Solar's non-debtor subsidiaries hold in project entities responsible for the financing, design, construction, operation, maintenance, and transfer to the State of Israel of a concentrated solar energy thermal power station plant currently under construction there (the "Ashalim Project"). At the hearing on the motion held on May 3, 2016, the Delaware Bankruptcy Court authorized Abengoa Solar to make this transaction.

- On June 12, 2016, the American affiliate companies Abengoa Bioenergy Meramec Renewable, LLC, Abengoa Bioenergy Funding, LLC, Abengoa Bioenergy Maple, LLC, Abengoa Bioenergy of Indiana, LLC, Abengoa Bioenergy of Illinois, LLC y Abengoa Bioenergy Operations, LLC, commenced a voluntary Chapter 11 case in the Missouri Bankruptcy Court. In the framework of these proceedings and the already initiated Chapter 11 proceeding by Abengoa Bioenergy US Holding, LLC, this and the affiliate companies mentioned have filed motions in the East Missouri Bankruptcy Court in relation with the sale proceeding of the two Maple plants located on Indiana and Illinois, the plant of Ravenna and the plant of York. Additionally, to facilitate the sale of the Maple plant, the current creditors of such plants have agreed to concede additional financing for an amount of US$10 million (debtor-in-.possession financing).

- Continuing with the sale proceeding commented above, on August 22, 2016 as approved by the United States Bankruptcy Court for the Eastern District of Missouri (the "Bankruptcy Court"), an auction over certain assets of Abengoa Bioenergy US Holding, LLC (the Company.) has been conducted following the process previously agreed among certain debtors and debtors in possession (the "Debtors") and such Company, on June 12, 2016, Abengoa Bioenergy US Holding, LLC and certain Debtors filed a motion (the "Motion") with the Bankruptcy Court seeking, among other things, entry of an order (the "Bidding Procedures Order"); (a) approving certain auction and bidding procedures (the "Bidding Procedures") in connection with the sale of the Debtors' bioenergy plants in Ravenna, Nebraska, York, Nebraska, Mt. Vernon, Indiana, Madison, Illinois and Colwich, Nebraska (collectively, the "Purchased Assets"), (b) authorizing the Debtors to enter into stalking horse purchase agreements with KAAPA Ethanol Holdings, LLC for the Ravenna Assets, Green Plains, Inc. for the Mt. Vernon and Madison Assets (the "Maple Assets") and Biourja Trading, LLC for the York Assets, (c) approving procedures relating to the assumption and assignment of executory contracts and unexpired leases, and (d) scheduling an auction (the "Auction") and sale approval hearing (the "Sale Hearing").

- On June 15, 2016, the Bankruptcy Court entered the Bidding Procedures Order, and subsequently, the Debtors' investment banker, Carl Marks, engaged in an extensive marketing process for all of the Purchased Assets. Pursuant to the Bidding Procedures Order, certain competing bids were submitted, and on the aforementioned date (August 22, 2016), the Debtors conducted the Auction, the results of which were that: (i) KAAPA Ethanol Holdings, LLC was the successful bidder for the Ravenna Assets at US$115 million, (ii) Green Plains, Inc. was the successful bidder for the Maple Assets at US$200 million, (iii) Green Plains, Inc. was the successful bidder for the York Assets at US$37 million, and (iv) ICM, Inc. was the successful bidder for the Colwich Assets at US$3.15 million.

- The Bankruptcy Court scheduled to conduct a hearing on August 29, 2016, where the sale of the plants of Ravenna, Maple and York were approved at the same prices of the mentioned before. Such sales were realized at September 30, 2016, date in which the debtor-in-possession financing were liquidated simultaneously in relation with the asset of these companies. The net sale proceeds will then be distributed pursuant to a plan of liquidation already approved by the Bankruptcy Court last October 31, 2016 and is awaiting the creditors committee.

- Additionally, on July 18, 2016, and in the Chapter 11 proceeding framework, already initiated by ABBK, the investment bank Ocean Park Advisors was hired to seek a strategic partner interested in buying the bioethanol plant and the co-generation plant located in Hugoton, Kansas.

- On June 12, 2016, the companies Abengoa Bioenergy Holdco, Inc. and Abengoa Bioenergy Meramec Holding, Inc., have initiated voluntary proceedings of Chapter 11 in the Delaware Bankruptcy Court, where other Chapter 11 resolutions of other American affiliates exist, as well as the Chapter 15 proceeding of Abengoa mentioned before.

- Additionally, last October 28, 2016, Abengoa Bioenergy New Technologies LLC, in the bankruptcy proceeding framework at the Delaware Bankruptcy Court, has applied for authorization to sell the pilot plant and the warehouse (excluding any land in which a construction exists) to Green Plains Inc. (or any of its affiliates) and/or Green Plains York LLC amounted to US$1,250,000. Such authorization was provided by the Court on December 6, 2016.

- On the other hand, on October 31, 2016, the Courts of Delaware approved the application of Abengoa to the creditors committee which propose an only plan which contains other four different plans itself: (i) EPC Restructuration Plan, which consist in the restructuring of the following companies: Abener Teyma Mojave General Partnership; Abener North America Construction LP; Abeinsa Abener Teyma General Partnership; Teyma Construction USA LLC; Teyma USA & Abener Engineering and Construction Services partnership; Abeinsa EPC LLC; Abeinsa Holding Inc.; Abener Teyma Hugoton General Partnership; Abengoa Bioenergy New Technologies LLC; Abener Construction Services LLC; Abengoa US Holding LLC; Abengoa US LLC; and Abengoa US Operations LLC; (ii) Solar Restructuring Plan which propose the restructuring of Abengoa Solar LLC; (iii) EPC liquidation Plan which propose the liquidation of de Abencor USA LLC; Abener Teyma Inabensa Mount Signal Joint Venture; Inabensa USA LLC; and Nicsa Industrial Supplies LLC, and (iv) Bioenergy and Maple Liquidation plan which propose the liquidation of Abengoa Bionergy Hybrid of Kansas LLC; Abengoa Bioenergy Technology Holding LLC; Abengoa Bioenergy Meramec Holding Inc.; and Abengoa Bioenergy Holdco Inc. In relation with the Chapter 11 proceedings performed in Delaware, last December 15, 2016, the Reorganization Plan in some cases, and the Liquidation in others, were confirmed by the Courts after reaching the majority support of creditors and having rejected the Courts the petitios presented by some of them. In relation with the Bioenergy companies proceeding in Missouri State, it is expected the votation to approve the corresponding Plan at the end of April 2017. As of the date of these Consolidated FInancial Statements, management is not aware of any significant impacts that could arise from the liquidation plans other than the ones already discussed.

- Finally, on 15 December 2016, the United States Bankruptcy Court where the Chapter 11 proceedings referred to in the Restructuring Agreement signed on 24 September 2016 were being dealt with, has entered an order confirming the Debtors' Modified First Amended Plans of Reorganization and Liquidation(the "Chapter 11 Plan").

- Additionally to all the mentioned before, last November 16, 2016, and in accordance to what is stated in the Restructuring Agreement clause 7, Abengoa Concessions Investment Limited ("ACIL") initiated the proceeding provided by the Chapter 15 of the United States Bankruptcy Code in the Delaware Courts to recognize the restructuring proceeding initiated in the British Courts (Company Voluntary Arrangement –CVA-) in the United Stated jurisdiction. The Delaware Courts conceded to ACIL, with no exception, such recognition on December 8, 2016.

d) In relation to the bankruptcy declaration by the Court of Rotterdam of Abengoa Bioenergy Netherlands, B.V. on May 11, 2016 were appointed both a liquidator and supervising judges, it should be noted that:

- After such bankruptcy declaration and appointment of a liquidator, the liquidation process of the company started and therefore, since that moment, the loss of control was effective.

- In the framework of such bankruptcy proceeding, on May 11, 2016, the company Alcogroup communicated an agreement to acquire the plant has been signed. The acquisition was approved by the competent Court last September 22, 2016, and according to the information received at the same date from the Administrator, the price established was €50 million, which would be addressed to the payment of suppliers and creditors according to a plan defined and approved by the competent Court.

e) Regarding the declaration of bankruptcy of Abengoa México, S.A. de C.V..

- On December 20, 2016 the Company informed that it had come to its knowledge that the Sixth Court in Civil Affairs of Mexico City has issued an appealable resolution declaring the bankruptcy (concurso mercantil) of Abengoa Mexico, S.A. de C.V. ("Abengoa Mexico") despite the report of the court appointed expert (Visitador) which spoke against it. Despite the declaration, the control of the company remains with the current management.

- In pursuit of reaching an agreement with its creditors, Abengoa Mexico has suggested a lock-up agreement aiming to subscribe the bankruptcy of the company and provide it to creditors and file it to the Courts according to the following terms:

  (i) In relation with common debts, Abengoa México has proposed the following treatment:

  a) proposal to capitalize the ordinary interests to be paid, being therefore part of the principal;

  b) the principal will be paid quarterly since March 2018;

  c) the principal to be paid will generate new interests, varying the period depending on the date of the resolution of approval of the agreement;

  d) the annual interest rate is fixed to 7% with an increase of 50 basis points per semester until the total payment;

  e) default interests due at the date of declaration of bankruptcy will be rejected by creditors. However, the default in payment of the amounts agreed will suppose the generation of default interests with a 14% rate during the period of default;

  (ii) in relation with credits against the bankruptcy estate and secured credits, it will be paid in accordance with the contracts and documents related;

  (iii) in relation with tax credits, Abengoa Mexico will propose to pay them in accordance with the applicable tax jurisdiction;

  (iv) finally, the treatment of subordinated credits will mean the inability to pay to subordinated creditors until the common credits are paid.

- Once the Restructuring Agreement is completed and the recapitalization of the Group described in Note 2.1.1.a), the company will develop the agreed Updated Viability Plan with creditors and investors, which is focused on the traditional business of Engineering and Construction, where the company accumulates more than 75 years of experience. Specifically, this Updated Viability Plan focusses the activity in the energy and environmental industry. This business will be combined, in a balanced manner, with concessional infrastructure projects in sectors where Abengoa has a competitive advantage, mainly of technological kind, which allows a bigger added value projects. Regarding the mentioned Updated Viability Plan, will allow sustainable growing of Abengoa, based on the following five principles:

  1) A multidisciplinary team and a culture and ability of multifunctional work.

  2) Experience in engineering and construction and specially the outstanding strength in business development of high potential growing such as energy and water.

  3) Technology abilities in our target markets, mainly in solar and water energy.

  4) A more efficient organization with more competitive general expenses.

  5) A financial approach adjusted to the current reality in which financial discipline and a rigorous evaluation of financial risks are key milestones.

- Based on the foregoing, and in prevision of the fulfillment of the agreement with financial creditors of the Company which assure the financial stability of Abengoa and the ability to generate resources from its operations as stated in the Updated Viability Plan, Abengoa´s Directors have deemed it appropriate to present the Consolidated Financial Statements for the year ended December 31, 2016 on a going concern.

  Based on the application of the going concern basis, Abengoa´s Directors have prepared these Consolidated Financial Statements applying the International Financial Reporting Standards ('IFRS') consistently with Consolidated condensed interim financial statements and Consolidated Financial Statements filed in prior periods. For that purpose, and according to the aforementioned accounting framework, Abengoa´s Directors have made their best estimates and assumptions (see Note 3 of the Notes to the Consolidated Financial Statements) in order to record the assets, liabilities, revenues and expenses as of December 31, 2016 in accordance with the existing information by the time of formulating these Consolidated Financial Statements.

- The current situation of the Group, which continues to be affected by a strong limitation of financial resources for more than a year and a half now, has significantly influenced the evolution of the business not only in terms of a generalised slowdown and deterioration of the group's operations but also as a result of numerous insolvency or bankruptcy proceedings involving companies not included in the Company's Updated Viability Plan.

  In this situation, on the basis of management's best estimates according to International Financial Reporting Standards ('IFRS'), the directors have quantified and accounted for the negative impact derived from this situation in the Consolidated Income Statement at 31 December 2016.

  The impact of a generalised slowdown in the Group's business activity primarily comes from a slowdown in the projects performed, which has resulted in 1) a sharp increase in the estimated cost of reactivating the business (and therefore quantification of the impact of the estimated provision to cover the increase in construction costs due to the reactivation of the project compared to the previously estimated costs; 2) a decrease in the asset recovery value or fair value (and therefore quantification of the impact of the estimated impairment of the value of the asset under construction; and 3) possible failure to meet contractual deadlines (and therefore quantification of the impact comes primarily from the amount of the guarantee that has been seized or is pending seizure). In this sense, the Group has deteriorated all those projects which development is not feasible in this moment given the lack of financing in the mid term in accordance with the Updated Viability Plan.

  As far as the impact of the numerous insolvency or judicial bankruptcy proceedings involving companies not included in the company's Updated Viability Plan, the impacts arise primarily from a decrease in the recovery value or fair value of the assets associated with the companies (and therefore the quantification of the impact requires estimating the impairment of the value of the assets themselves) and the possible contingencies that could arise during the insolvency or bankruptcy proceedings themselves (and therefore the quantification of the impact requires estimating the provision for such contingencies).

- In this sense, the most significant negative impacts recorded in results as of December 31, 2016, which have reached €-6,772 million, are mainly related to provisions of construction projects costs, to the results coming from the sale of certain assets and the impairment of certain project assets and tax credits as well as financial expenses due to default interests and the execution of bank guarantees or with a high probability of execution given the situation of the company.

  The following table shows the detail of such impacts (in million euros):

| Item | Total |
|---|---|
| Project Construction costs provision (see Note 5.1.a of the Notes to the Consolidated Financial Statements) | (245) |
| Sale of assets (see Note 6.2.b of the Notes to the Consolidated Financial Statements) | 58 |
| Impairment of assets (see Note 5.1.b of the Notes to the Consolidated Financial Statements) | (6,036) |
| Default interests, guarantees and other financial expenses (see Notes 28 and 30 of the Notes to the Consolidated Financial Statements) | (521) |
| Others | (28) |
| | **(6,772)** |

- Due to all the above, the parent company, Abengoa, S.A., has incurred in losses since 2015 which has supposed a significant decrease in Equity and, as a consequence, at December 31, 2016 presents a negative net equity. In accordance with the Article 363 of the Spanish Corporation Law, a Company will be in dissolution situation when losses lead Net Equity to an amount lower than half shared capital, unless an increase or decrease in capital share were enough.

  In the parent company Abengoa Director´s opinion, the expected measures in the effective application of the signed Restructuring Agreement will allow to gain a financial stability once there is a positive impact recognized in the income statement derived from debt write-offs, capital increases expected and, in addition to provide the Group with the necessary financial resources to reactivate the activity. On the other hand, Directors are confident on generating future resources from operations given such financial resources and the application of the Updated Viability Plan, which will allow to rise the market confidence, the provision of liquidity to the Company and the continuance of its activity to operate in a competitive and sustainable manner in the future.

- From an accounting perspective, the Restructuring Agreement is subject to IFRIC 19 "Cancellation of financial liabilities with equity instruments", derecognising a portion of the debt to be cancelled at book value, registering the equity instrument to be handed over at fair value and recognising the difference between both amounts in the Income statement. With the portion of debt to be refinanced, and given that the conditions of the debt to be refinanced have been substantially modified, IAS 39 "Financial instruments, recognition and measurement" will be applied, derecognising the portion of the debt to be refinanced at book value, registering the equity instrument to be handed over at fair value and recognising the difference between both amounts in the Income statement. Regarding the cancellation of the liabilities subject to the standard conditions of the agreement (amounts payable to creditors who have not signed the agreement), since there is no obligation to deliver capital instruments in order to cancel 97% of the liabilities, the terms of IAS 39 apply to both the derecognition of the percentage of the

liability mentioned above and the recognition of a new liability equal to 3% of the original liability which will initially be recorded at fair value and later at amortised cost.

Abengoa management estimates that the positive impact on the group's income and equity could be between €6,000-6,500 million. The final amount will depend on a series of factors which will be concreted by the time the agreement is implemented. On the other hand, Abengoa management estimates that during the month of March all of the conditions precedent established in the Reorganization Agreement, common in these types of contracts, will be fulfilled and therefore the accounting impacts mentioned above will be recognized.

## b) Application of new accounting standards

a) Standards, interpretations and amendments effective from January 1, 2016, applied by the Group:

- Improvements to IFRSs 2012-2014 cycles. These improvements are mandatory for periods beginning on or after January 1, 2016 under IFRS-EU.
- IAS 1 (Amendment) 'Presentation of Financial statements'. This amendment is mandatory for periods beginning on or after January 1, 2016 under IFRS-EU.
- IAS 16 (Amendment) 'Property, Plant and Equipment' and IAS 38 'Intangible Assets', regarding to acceptable methods of amortization and depreciation. This amendment is mandatory for periods beginning on or after January 1, 2016 under IFRS-EU.
- IFRS 10 (Amendment) 'Consolidated Financial statements', IFRS12 ' Disclosure of Interests in Other Entities' and IAS28 'Investments in Associates and Joint Ventures' relating to investment entities: clarification of the exception to consolidate. These amendments are mandatory for periods beginning on or after January 1, 2016 under IFRS-EU, and have already been endorsed by the EU.
- IAS 27 (Amendment) 'Separate Financial statements' regarding the reinstatement of the equity method as an accounting option in separate Financial statements. This amendment is mandatory for periods beginning on or after January 1, 2016 under IFRS-EU.
- IFRS 11 (Amendment) 'Joint Arrangements' regarding acquisition of an interest in a joint operation. This amendment is mandatory for periods beginning on or after January 1, 2016 under IFRS-EU.
- IAS 16 (Amendment) 'Property, Plants and Equipment' and IAS 41 (Amendment) 'Biological assets'. These amendments are mandatory for periods beginning on or after January 1, 2016 under IFRS-EU

Abengoa's Directors believe that the applications of these amendments have not had any material impact.

b) Standards, interpretations and amendments published that will be effective for periods after December 31, 2016:

- IFRS 9 'Financial Instruments'. This Standard will be effective from January 1, 2018 under IFRS-IASB published in the official bulletin of the EU on November 29, 2016.
- IFRS 15 'Revenues from contracts with Customers'. IFRS 15 is applicable for periods beginning on or after 1 January 2018 under IFRS-EU, earlier application is permitted, that has already been adopted by the EU on September 22, 2016 and published in the official bulletin of the EU on October 29, 2016.
- Introduction of IFRS 16 "Leases" which supersedes IAS 17. Lessees will recognize most leases in the balance sheet as financed purchases. This standard will apply to periods beginning after January 1, 2019.
- IAS 7 (Amendment) "Statement of cash flow" related to disclosures. This standard will apply to annual periods beginning after January 1, 2017. Not already endorsed by the EU.
- IAS 12 (Amendment) "Income taxes" related to the recognition of not realized deferred taxes. This standard will apply to annual periods beginning after January 1, 2017 under IFRS-IASB, earlier application is permitted.
- Annual Improvements to IFRSs 2014-2016 (published on December 8, 2016). These improvements are mandatory for periods beginning on or after January 1, 2018 under IFRS-EU and have not been adopted by the EU yet.
- IFRIC 22 Foreign Currency Transaction and advance consideration which establish the transaction date to determine the exchange rate applicable to transactions with advances in foreign currency. This interpretation is mandatory for periods beginning on or after January 1, 2018 under IFRS-EU and has not yet been adopted by the EU.
- IFRS 10 (Amendment) "Consolidated Financial Statements" and IAS 28 "investments in associates and joint ventures" in relation with the treatment of the sale or the contribution of assets between an investor and its associate or joint venture. The application of this standard has been delayed without definite date of application.

The Group is currently in the process of evaluating the impact on the Consolidated condensed interim financial statements derived from the application of the new standards and amendments that will be effective for periods beginning after December 31, 2016.

## c) Changes in the composition of the Group

- In 2016 a total of 7 subsidiaries (44 in 2015), 4 associates (4 in 2015) and zero joint ventures (5 in 2015), were included in the consolidation group, which are identified in Appendices I, II, III, XII, XIII and XIV to these Consolidated Financial Statements.

  These changes did not have a significant impact on the overall consolidated amounts in 2016 and 2015.

  In addition, during 2016, 1 joint ventures were included in the Consolidation perimeter (UTE), (5 in 2015), with partners which do not being to the Group, have commenced their activity or have started to undertake a significant level of activity during 2016.

- During the year ended December 31, 2016 a total of 57 subsidiaries were no longer included in the consolidation perimeter (17 in 2015), 3 associates (no associates in 2015) and 8 joint ventures (2 in 2015), which are identified in Appendix IV, V and VI and which did not have any material impact in the Consolidated Income Statement, except for disposals mentioned in Note 6.3b).

  During 2016, 19 UTE, (38 in 2015), which do not belong to the Group, were excluded from the consolidated group because they had ceased their activities or had become insignificant in relation to overall group activity levels. The proportional consolidated revenues of these UTE in 2016 have been €0 (were null in 2015).

  Within the companies which have left the consolidation perimeter at the 2016 year-end , is Abengoa Bioenergy Netherlands, B.V. given that, as a consequence of the declaration of bankruptcy by the Court of Rotterdam of such company on May 11, 2016, the appointment of a Liquidator and the consequent loss of control (see Note 2.1 and 8.2 of the Notes to the Consolidated Financial Statements) recognizing in the Consolidated Income Statements for 2016 an impairment expense of €545 million. Additionally, and also within the companies which have left the consolidation perimeter at the 2016 year-end is Abengoa Bioenergía San Roque, S.A., as a consequence of the declaration of bankruptcy by the Court of Rotterdam on November 2, 2016, the appointment of a Liquidator and the consequent loss of control (see Note 2.1 and 8.2 of the Notes to the Consolidated Financial Statements) recognizing in the Consolidated Income Statements for 2016 an impairment expense of €10 million.

- Additionally, the mainly changes in the consolidation method are related to Abengoa Vista Ridge (see Note 6.2 of the Notes to the Consolidated Financial Statements) which, given the sale of the 80% interest, is now consolidated through the equity method and the company Khi Solar One, Ltc. whose assets and liabilities are classified as assets and liabilities held for sale (see Note 7 of the Notes to the Consolidated Financial Statements) and were integrated in the Consolidated Financial Statements of 2015 trough the equity method, are currently consolidated through the global integration method once obtained the control of the company.

## d) Main acquisitions and disposals

- There were no significant acquisitions during the years 2016 and 2015.
- During 2016, the most significant disposals were as follows:
  - At the end of January 2016, the sale of the interest in Abengoa Solar Emirates Investment Company B.V. (TASEIC), parent company of Shams Power Company (owner company of a 100MW thermo-solar plant developed by Abengoa in Abu Dhabi) was concluded. As a consequence of this sale Abengoa received an amount of US$30 million and has had a positive impact of €1 million in the Consolidated Income Statement.
  - On March 31, 2016, the sale of the interest in the company Nicefield (owner company of a 70MW wind farm developed by Abengoa in Uruguay) was concluded. This sale concluded with an amount of US$0.4 million, releasing the company´s obligations of US$38 million of debt and its related guarantees, and has a positive impact in the Consolidated Income Statement of €3 million.
  - At the beginning of April 2016, an agreement between Abengoa and Vela Energy, S.L. was closed for the sale of four photovoltaic plants located in the province of Seville and Jaen. The agreement, included in the divestment plan announced by the Company, has contributed with a debt reduction of €50 million, as well as a net cash inflow of €12 million and a negative impact in the Consolidated Income Statements for an amount of €4 million.
  - On April 16, 2016 an agreement between Abengoa and a group of investors (Estudios y Explotaciones de Recursos, S.A.U. Ingeniería de Manutención Asturiana, S.A., Noy Negev Energy, Limited Partnership and Shikun & Binui - Solel Boneh Infrastructure Ltd.) was signed for the transaction of all the Abengoa´s interest until that moment in the Project of Ashalim, consisting on the construction and operation of a 110MW thermo-solar plant located in Ashalim (Israel). The total amount of the transaction has been €64 million and was subjected to a number of conditions including the approval by creditors of the financing terms and the corresponding authorities of the State of Israel. In 2016, all of the conditions have been accomplished and therefore its collection. Such sale transaction has contributed with a negative impact in the Consolidated Income Statement of €17 million (see Note 7 of the Notes to the Consolidated Financial Statements).

- On May 30, 2016, an agreement between Abengoa and Layar Castilla, S.A.U. has been signed for the transaction of all Abengoa´s interest in Explotaciones Varias, S.L. which aims the organization and operation of activities and businesses in relation to the acquisition of agricultural plot and its operation in agricultural, hunting and farming businesses directly, on partnership or by lease, the planting of crops, irrigation works and sanitation. This sale was completed for an amount of €16 million and has contributed with a positive impact in the Consolidated Income Statement of €1 million.

- At the beginning of June 2016, the agreement between Abengoa and the Company Garney has been closed for the transaction of the 80% Abengoa Vista Ridge LLC´s interest as owner Company of the assets associated to a water and conduction plant in United States. The agreement has contributed to a debt reduction of €105 million and no cash generation. As a consequence, the control over the assets has been transferred. Thus, and according to IFRS 10 – Consolidated Financial Statements, the loss of control over the company has supposed the disposal of all the assets and liabilities associated to the Company at book value on the date in which the loss of control was effective, as well as all minority interest of the Company and the valuation of the 20% interest at fair value at the date of loss of control. Due to all the above, it has been recorded a positive impact in the Consolidated Income Statement of €74 million (see Note 30.3 of the Notes to the Consolidated Financial Statements).

- On July 5, 2016, an agreement between Abengoa and Excellance Field Factory, S.L.U. (affiliate company of Ericsson) was signed for the sale of the deployment and maintenance of communication networks and subscriber loop business, currently operated by Abentel, to such company expressly created by Ericsson. The agreement, subjected to the compliance of certain conditions, involve the collection of €5 million as established and has not had a significant impact in the Consolidated Income Statement of Abengoa.

- On August 3, 2016, the company completed the transaction of the 80% interest that held in the company Fotovoltaica Solar Sevilla, S.A. that corresponds with a photovoltaic solar plantof 1MW of capacity. The total price obtained from the sale reached €3million approximately and has not any significant impact in the Consolidated Income Statement of Abengoa.

- Within the 1G plants sale process in United States (Indiana, Illinois, Nebraska and York) in the Chapter 11 proceeding initiated (see Note 2.1.1 of the Notes to the Consolidated Financial Statements), at the end of September the sale of such plants has been closed at the price established by the Court. Such sale has supposed a cash inflow of €128 million without impact in the Consolidated Income Statement given the previous impairment recognized at fair value due to its reclassification as asset held for sale (see Note 7 of the Notes to the Consolidated Financial Statements). The net cash received will be distributed according to the liquidation plan to be presented.

- In addition, within the 2G plants sale process in United States (Hugoton) in the Chapter 11 proceeding initiated (see Note 2.1.1 of the Notes to the Consolidated Financial Statements), at the end of November the sale of such plant has been closed at the price established by the Court. Such sale has supposed a cash inflow of €46 million without impact in the Consolidated Income Statement given the previous impairment recognized at fair value due to its reclassification as asset held for sale (see Note 7 of the Notes to the Consolidated Financial Statements). The net cash received will be distributed according to the liquidation plan to be presented.

- Finally, and following the agreement reached with the infrastructure fund EIG Global Energy Partners ('EIG') on April 7, to establish the Joint Venture (JV) Abengoa Projects Warehouse I, LLP (APW-1) which structure consist of 55% invested by EIG and a remaining non-controlling interest of 45% by Abengoa, it should be note that, at the end of the year, the two asset transfer contributions to such JV were made by Abengoa (one corresponds to the 100% interest on CSP Atacama 1 and PV Atacama 1, solar plant project companies located in the Atacama Desert, Chile, and another second corresponds to a minority interest contribution of the power transmission line assets in Brazil).

- After the 2015 year-end close, considering the Company's situation and the fact that this situation was preventing the company from fulfilling certain contractual obligations assumed under the contract signed with EIG for the creation of the APW – 1 joint venture in March 2016, the company began negotiations with the partner to try and reach a new agreement to regulate the relationship between the parties regarding the shares transferred to date, considering the global agreement initially reached for the construction of APW-1. The conclusion of these negotiations was a pre-requisite for the effectiveness of the Restructuring Agreement signed in September 2016. As a result of these negotiations, a new agreement was reached with EIG in the month of October 2016.

- As a consequence of that agreement, Abengoa will waive its rights to APW-1 in terms of its participation and the credits to which it was entitled, recognising an impairment expense of 375 million euros in the Consolidated Income Statement as a result. Moreover, the acquisition rights of a minority stakeholding held by APW-1 to certain transmissions lines in Brazil will be transferred to Abengoa in exchange for monetary compensation of 450 million dollars by Abengoa. This monetary compensation is subject to the Restructuring Agreement to which EIG has adhered. As a result, this monetary compensation will be subject to the alternative restructuring conditions which call for 70% to be settled by transferring certain Abengoa shares to EIG and the remaining 30% to be refinanced under the terms of the agreement. In keeping with IAS 39, Abengoa has estimated that the fair value is 128 million euros. Therefore, a financial expense in this amount was recognised in the income statement (see Note 20.5 of the Notes to the Consolidated Financial Statements).

› Regarding EIG's minority holding in the Brazilian transmission lines, it should be noted that as of 30 June 2016 the shares were owned by APW – I, which means that the transaction was completed in a timely manner. However, under the agreements reached with EIG in October 2016 and in line with what has been previously discussed, the partners of APW-I have committed to take steps needed for the shares to be returned to Abengoa once the debt is recognised by Abengoa as compensation for the breach of contract.

› The best estimate as of the present date is that Abengoa will not have to recognise any additional commitments above and beyond those already recognised in relation to APW – 1. This is due to the fact that under the October 2016 agreement with EIG all contracts signed with the partner are terminated and cancelled in their entirety, including the Investment and Contribution Agreement, EIG Commitment Letter, Abengoa Rofo, Brazil Shareholders' Agreement and Abengoa Guarantee. The following contracts are also cancelled: Support Services Agreement and the Transition Agreement.

› Finally, regarding Note 33.2 on related party transactions, APW-1 has signed contracts with CSP Atacama I and PV Atacama I for solar power plant construction. On this subject, the October 2016 agreement includes an addendum to the original (EPC) solar power plant construction agreement. In addition, it was agreed that Abengoa would find a back-up EPC contractor to participate in the remaining phases of the construction. The documents and materials related to the Abengoa's intellectual property have been deposited into an escrow account. With this information, the back-up contractor would be able to complete the work in the event of an eventual breach by Abengoa as the principal contractor.

## e) Main figures

### Financial data

› Revenues of €1,510 million, a 59% lower to the same period of 2015.

› EBITDA of €-241 million, a decrease of 170% compared to the same period the previous year.

| | Balance as of 31.12.16 | Balance as of 31.12.15 (1) | Var (%) |
|---|---|---|---|
| **Income Statement** | | | |
| Revenue | 1,510 | 3,647 | (58.59) |
| EBITDA | (241) | 343 | (170.17) |
| EBITDA Margin | (16%) | 9% | (269.47) |
| Net Income | (7,629) | (1,213) | 528.7 |
| **Balance Sheet** | | | |
| Total Assets | 9,914 | 16,628 | (40.38) |
| Equity | (6,780) | 453 | (1,596.69) |
| Corporate Net Debt | 5,986 | 4,480 | 33.6 |
| **Share Information** | | | |
| Last price (€ per B share) | 0.19 | 0.19 | - |
| Capitalization (A+B share) (€ million) | 195 | 202 | (3.47) |
| Daily trading volume (€ million) | 5 | 35 | (85.71) |

(1) Restated figures in the Income Statement due to the discontinuance of the activity in transmission lines in Brazil and the operating segment of Bioenergy.

- The corporate finance amounted to €7,665 million in comparison to the €6,568 million at December 31, 2015.
- The project finance amounted to €2,016 million in comparison to the €3,070 million at December 31, 2015. Within the project finance, it is included €1,844 million of bridge loans with corporate guarantee (€2,049 million at December 31, 2015). Such bridge financing, does not include the bridge financing amounted to €539 million (€399 million at December 31, 2015) which have been classified as assets and liabilities held for sale, nor bridge financing related to Atacama I in Chile amounted to €267 million (€238 million at December 31, 2015) being consolidated through the equity method

Operating figures

- The international activity represents 86% of the consolidated revenues.
- The main operating figures of the years 2016 and 2015 are the following.

| Key operational | 2016 | 2015 |
|---|---|---|
| Transmission lines (km) | 3,532 | 3,532 |
| Water Desalination (Cap. ML/day) | 475 | 475 |
| Cogeneration (GWh) | 257 | 393 |
| Solar Power Assets (MW) | 200 | 162 |
| Biofuels Production (ML/year) | 1,030 | 3,270 |

Corporate debt conciliation

The following table set out the conciliation of the Net Corporate Debt with the information included in the Consolidated Financial Statements at December 31, 2016 and 2015 (in million euros).

| Item | Balance as of 12.31.16 | Balance as of 12.31.15 |
|---|---|---|
| Bank debt and current/non-curr. bond | 2,843 | 2,328 |
| Obligat. under curr./non-curr. financial lease | 3,550 | 3,301 |
| Current financial investments | 21 | 37 |
| Financial investments | (150) | (519) |
| Cash and cash equivalents | (278) | (681) |
| Treasury stock + financial investment and Treasury in project companies. | - | 15 |
| **Total net debt (cash) / Total Ebitda** | **5,986** | **4,480** |

## f) Consolidated income statement

| | Balance as of 12.31.16 | Balance as of 12.31.15 | Var (%) |
|---|---|---|---|
| Revenues | 1,510 | 3,647 | (58.6) |
| Operating expenses | (1,751) | (3,303) | (47.0) |
| **EBITDA** | (241) | 343 | (170.2) |
| Depreciation and amortization | (1,901) | (373) | 409.9 |
| **I. Net Operating Profit** | (2,142) | (29) | 7,192.7 |
| II. Finance Cost, net | (663.9) | (636) | 4.4 |
| Financial incomes / expenses | (497.9) | (101) | 394.2 |
| **Net Exchange rates differences and other financial incomes/expenses** | (1,162) | (737) | 57.7 |
| **III. Share of (loss)/(profit) of associates** | (587) | (8) | 6,966.3 |
| **IV. Profit Before Income Tax** | (3,891) | (775) | 402.3 |
| V. Income tax expense | (372) | (88) | 320.7 |
| **VI. Profit for the year from continuing operations** | (4,263) | (863) | 394.0 |
| Profit (loss) from discontinued operations, net of tax | (3,352) | (480) | 598.8 |
| **Profit for the year** | (7,615) | (1,343) | 467.1 |
| VII. Non-controlling interests | (14) | 129 | (110.8) |
| **Net income attributable to the parent company** | **(7,629)** | **(1,213)** | **528.7** |

(1) Restated figures in the Income Statement due to the discontinuance of the activity in transmission lines in Brazil and the operating segment of Bioenergy.

Revenues

Revenue decreased by 58.6% to €1,510 million, which is a decrease of €2137 from €3,647 million in the year 2015. The decrease in consolidated revenues is mainly due to current situation of the Company given the strong limitations of financial resources in which the Company is subjected during the last months, which has affected significantly to the evolution of the business after the general deceleration of the business. In addition, there is a decrease in revenues as a consequence of the negative impact that the finalization of several projects in 2015 has caused and the sale to Atlantica Yield of concessional-type plants under the ROFO agreements and the loss of control of Rioglass at the end of 2015.

EBITDA

EBITDA has decreased in a 170.2% reaching €-241 million, which suppose a decrease of €584 million compared to the €343 million of the same period of the previous year. The decrease in EBITDA is mainly attributable to the already mentioned situation of the Group in last paragraph, which has supposed the general deceleration in business in every activity, and consequently in the EBITDA obtained in each one of them. Additionally, there is a decrease in EBITDA due to the negative impacts as a consequence of the finalization of several projects in 2015 and the sale to Atlantica Yield of concessional-type plants under the ROFO agreements and the loss of control of Rioglass ant the end of 2015.

Operating profit

Operating profit has decreased in 7,192.7%, from losses of €29 million in 2015 to losses of €2,142 million in 2016. This decrease in the operating profit is mainly attributable to all the mentioned in the EBITDA paragraph. Additionally, losses have increased mainly due to the impairment expenses registered in certain assets (intangible and fixed assets) pertaining to the Engineering and Construction segment due to their doubtful recovery given the problems arisen during the period to keep developing the activity in an appropriate manner, as well as, the impairment losses recognized when registering at fair value the assets related to solar plants in Chile and the generating plants in Mexico. All the mentioned has been partially offset by lower amortization expenses due to the impact of the sale to Atlántica Yield of certain owner companies of concessional-type plants in 2015 under the ROFO agreement.

Net Financial Expense

Net Finance expenses have reached a loss of €1,162 million, which is an increase of the 57.0% in comparison to a loss of €737 million in the same period of 2015. The increase in expenses is mainly due to the impairment registered in Xfera Moviles, S.A., the financial expense of the cancellation of the convertible derivative bond of Befesa and the updating of preferred shares of ACBH with Atlantica Yield, the higher financial expenses derived from executed guarantees with high probability of resource outflows, as well as bank fees and default interests given the current situation of the Company mentioned before. All this has been partially offset by the profit generated by the transaction of the 80% Abengoa Vista Ridge, LLC´s interest and lower financial expenses registers after the sale to Atlantica Yield of certain owner companies of concessional-type plants during 2015 under the ROFO agreement.

Share of profit (loss) of associates carried under the equity method

The result of associates decreased from a loss of €8 million in 2015 to a loss of €587 million in 2016. This decrease is mainly attributable to the impairment recognized on the investment of the associates Rioglass Solar, Ashalim and APW-1.

Corporate Income Tax

Corporate income tax decreased from a profit a net loss of €88 million in 2015 to a net loss of €-372 million in 2016. This decrease in mainly attributable to the non-recognition of revenues derived from the tax credits capitalization of losses during 2016 given the mentioned current situation of the Group, pending to have greater visibility about the realization of the Viability Plan presented by the Company.

Profit for the year from continuing operations

Due to the aforementioned changes, results from continuing operations of Abengoa decreased from losses of €863 million in 2015 to a loss of €4,263 million in the same period of 2016.

Profit/(Loss) from discontinued operations, net of tax

The result from discontinued operations, net of tax decreased from a loss of €480 million in 2015 to a loss of €3,352 million in the year 2016. This decrease is mainly attributable to the integration of results of the transmission lines in Brazil and the operative segment of Bioenergy after its consideration as discontinued operation including an impairment given its recognition as fair value. Additionally, there is a decrease caused by the use of the equity method with Atlantica Yield and its affiliates at 2015 closing once loss its control and leaving the global integration method (classified until that date as discontinued operation).

Profit attributable to the parent company

Profit attributable to the parent company decreased from a loss of €1,213 million in 2015 to a loss of €7,629 million in 2016 as a consequence of the changes described in previous sections.

## g) Results by activities

Abengoa Business sales, EBITDA and margin related to different business activities has been as follows:

| | Revenue | | | Ebitda | | | Margin | |
|---|---|---|---|---|---|---|---|---|
| Concepto | 2016 | 2015 (1) | Var (%) | 2016 | 2015 | Var (%) | 2016 | 2015 |
| **Engineering and construction** | | | | | | | | |
| Engineering and construction | 1,368 | 3,381 | -59.5% | (326) (2) | 169 | -292.9% | -24% | 5.0% |
| **Total** | **1,368** | **3,381** | **-59.5%** | **(326)** | **169** | **-292.9%** | **6%** | **17.9%** |
| **Concession-type infraestructure** | | | | | | | | |
| Solar | 37 | 167 | -77.8% | 21 | 115 | -81.7% | 57% | 68.9% |
| Water | 59 | 53 | 11.3% | 41 | 42 | -2.4% | 69% | 79.2% |
| Transmission lines | 1 | 2 | -50.0% | - | (1) | -100.0% | 0% | -50.0% |
| Cogeneration and others | 45 | 44 | 2.3% | 23 | 18 | 27.8% | 51% | 40.9% |
| **Total** | **142** | **266** | **-46.6%** | **85** | **174** | **-51.1%** | **60%** | **65.4%** |
| **Total** | **1,510** | **3,647** | **-58.6%** | **(241)** | **343** | **-170.3%** | **-16%** | **9.4%** |

(1) Restated figures in the Income Statement due to the discontinuance of the activity in transmission lines in Brazil and the operating segment of Bioenergy.

(2) Includes provisions of project construction arisen from the situation of the Company amounted to €-245 million (see Note 2.1.1 of this Management Report).

### Engineering & Construction

Revenues in the Engineering & Construction segment has decreased by 59.5% to €1,368 million, which is a decrease of €2,013 million compared to the €3,381 million of the same period last year. This decrease in revenues is mainly attributable to the current situation of the Group given the strong limitation of financial resources in which the Company is subjected in the last months and which has significantly affected the evolution of the business after the general deceleration of the Engineering & Construction activity. The main projects under construction affected by the entire above situation correspond to the combined cycle plants in Mexico (AT3 and AT4), to thermo-solar and photovoltaic plants in Chile (Atacama solar plant), thermos-solar plants in South Africa and to transmission lines in Brazil. In addition to the above, there has been a decrease in revenues due to the negative impacts as a consequence of the finalization of the construction in 2015 of certain transmission line projects in Peru and Poland.

Engineering & Construction EBITDA has decreased by 292.9% to €-326 million, which is a decrease of €495 million, compared to the €169 million in the same period in the last year. This decrease is mainly attributable to the current situation of the Group, mentioned in the previous section, which has caused the deceleration in the projects under construction mentioned before and consequently the EBITDA obtained in each of them. Additionally the decrease in EBITDA is due to the negative impacts as a consequence of the finalization in the construction of certain projects of transmission lines during 2015 in Peru and Poland mentioned before.

### Concession-type Infrastructures

Revenues in concession-type infrastructures have decreased by 46.6% to €142 million, which is a decrease of €124 million compared to the €266 million of the same period last year. This decrease in revenues is mainly attributable to the negative impacts as a consequence of the sale to Atlantica Yield of certain owner companies of concession-type plants during 2015 under the ROFO agreement and correspond to desalination plants in Algeria (Skikda and Honanine), to a transmission line in Peru (ATN2), to thermo-solar plants in Spain (Helioenergy 1 and 2, Helios 1 and 2, Solnova 1, 3 and 4, Solaben 1 and 6) and a thermo-solar plant in South Africa (Kaxu Solar One).

Concession-type infrastructure EBITDA has decreased by 51.1% to €85 million, which is a decrease of €89 million compared to the €174 million on the same period last year. This decrease in EBITDA is also mainly attributed to what has been mentioned in the previous section related to the negative impacts as a consequence of the sale to Atlantica Yield of certain owner companies of concession-type plants during 2015 under the ROFO agreements mentioned before.

## h) Consolidated statement of financial position

### Consolidated balance sheet

A summary of Abengoa's consolidated balance sheet for 2016 and 2015 is given below, with main variations:

| | Balance as of 31.12.16 | Balance as of 31.12.15 | Var (%) |
|---|---|---|---|
| Intangible assets and fixed assets | 254 | 2,600 | (90.2) |
| Fixed assets in projects | 398 | 3,360 | (88.2) |
| Associates under the equity method | 823 | 1,198 | (31.3) |
| Financial investments | 65 | 1,114 | (94.2) |
| Deferred tax assets | 615 | 1,585 | (61.2) |
| **Non-current assets** | **2,155** | **9,857** | **(78.1)** |
| Inventories | 100 | 311 | (67.8) |
| Clients and other receivable accounts | 1,327 | 2,004 | (33.8) |
| Financial investments | 150 | 519 | (71.1) |
| Cash and cash equivalents | 278 | 681 | (59.2) |
| Assets held for sale | 5,904 | 3,256 | 81.3 |
| **Current assets** | **7,759** | **6,771** | **14.6** |
| **Total assets** | **9,914** | **16,628** | **(40.4)** |

- Non-current assets have decreased by 78.1 % to €2,155 million, which is a decrease of €7,702 million compared to the 9,857 million at December 31, 2015. This decrease in non-current assets is mainly attributable to the classification as assets held for sale of the property, plant and equipment of the operative segment of Bioenergy and assets of certain transmission lines in Brazil, the sale of the investment in Yoigo and convertible notes of Befesa and the impairment over the investment in Rioglass Solar after its dilution of shares and the receivable with APW-1, after the agreement reached with EIG.

- Current assets have increased by 14.6% to €7,759 million, which is an increase in €988 million compared to the €6,771 million at December 31, 2015. This increase in assets is mainly attributable to new non-current assets classified as assets held for sale mentioned before. The mentioned has been partially offset by the lower financial investments and cash and cash equivalents due to the maturities of collateralized non-recourse confirming liabilities, netted by the cash obtained in the new liquidity lines in March and September, 2016.

A summary of Abengoa's consolidated liabilities as of December 31, 2016 and December 31, 2015 is given below, with main variations:

| | Balance as of 31.12.16 | Balance as of 31.12.15 | Var (%) |
|---|---|---|---|
| Capital and reserves | (7,335) | 62 | (11,930.6) |
| Non-controlling interest | 555 | 391 | 41.9 |
| **Total Equity** | **(6,780)** | **453** | **(1,596.7)** |
| Project debt | 13 | 504 | (97.4) |
| Corporate financing | 267 | 372 | (28.1) |
| Grants and other liabilities | 66 | 234 | (71.8) |
| Provisions and Contingencies | 51 | 63 | (19.0) |
| Derivative financial instruments | 6 | 38 | (84.2) |
| Deferred tax liabilities and Personnel liabilities | 176 | 322 | (45.3) |
| **Total non-current liabilities** | **579** | **1,532** | **(62.2)** |
| Project debt | 2,003 | 2,567 | (22.0) |
| Corporate financing | 7,398 | 6,197 | 19.4 |
| Trade payables and other current liabilities | 2,654 | 4,379 | (39.4) |
| Current tax liabilities | 146 | 195 | (25.1) |
| Derivative financial instruments | 12 | 108 | (88.9) |
| Provisions for other liabilities and expenses | 17 | 6 | 183.3 |
| Liabilities held for sale | 3,885 | 1,191 | 226.2 |
| **Total current liabilities** | **16,115** | **14,643** | **10.1** |
| **Total Shareholders' Equity and Liabilities** | **9,914** | **16,628** | **(40.4)** |

- Equity has decreased by 1,596.7% to €-6.780 million, which is a decrease of €7,262 million compared to €453 million at December 31, 2015. This decrease in equity is mainly attributable to the negative outcome as a consequence of the current situation of the Group which has been described before in the Consolidated Income Statement section. This has been partially offset by the net positive evolution of conversion differences of the appreciation of the Brazilian real and the US Dollar.

- Non-current liabilities has decreased by 62.2% to €579 million, which is a decrease of €953 million compared to the €1,532 million of 2015. This decrease is mainly due to the reclassification as liabilities held for sale of liabilities pertaining to the Bioenergy segment and transmission lines segment in Brazil, partially offset with the debt recognized from the agreements with EIG and Atantica Yield.

- Current liabilities have increased by 10.1% to €16,115 million, which is an increase of €1,472 million compared to the €14,643 million at December 31, 2015. This increase in current liabilities is mainly attributable to non-current liabilities classified as held for sale mentioned before, as well as by the increase in corporate financing due to the new liquidity lines provided at the end of March and September 2016. All the mentioned has been partially offset by the decrease in the trade payables and other current liabilities section due to maturities during the period of non-recourse confirming which had cash collateral or equivalent to cash collateral as guaranty of its pay.

### i) Consolidated cash flow statements

A summary of the Consolidated Cash Flow Statements of Abengoa for the periods ended December 31, 2016 and 2015 with the main variations per item are given below:

| | 2016 | 2015 | Var (%) |
|---|---|---|---|
| **Profit for the year from continuing operations** | **(4.263)** | **(824)** | **417,5** |
| Non-monetary adjustments | 4.009,2 | 654,8 | 512,3 |
| Variations in working capital and discontinued operations | (65,4) | (869,1) | (92,5) |
| Interest received/paid | (66,8) | (810,6) | (91,8) |
| Discontinued operations | 58,1 | 376,3 | (84,6) |
| **A. Net Cash Flows from operating activities** | **(328)** | **(1.472)** | **(77,7)** |
| Intangible assets and property, plant & equipment | (240,8) | (2.181,4) | (89,0) |
| Divestments related to the sale of assets to Abengoa Yield (ROFO 2 & 4) | - | 367,7 | n/a |
| Other investments/disposals | 558,5 | 109,3 | 411,1 |
| Discontinued operations | (312,4) | 751,6 | (141,6) |
| **B. Net Cash Flows from investing activities** | **5** | **(953)** | **(100,6)** |
| Initial Public Offering of subsidiaries | - | 331,9 | n/a |
| Share capital increase with non-controlling interest by Abengoa Yield to fund the sale of assets (ROFO 3) | - | 301,9 | n/a |
| Other disposals and repayments | (8,5) | 1.510,5 | (100,6) |
| Discontinued operations | 223,6 | (158,2) | (241,3) |
| **C. Net Cash Flows from financing activities** | **215** | **1.986** | **(89,2)** |
| | | | |
| **Net increase/(decrease) of cash and equivalent** | **(107)** | **(439)** | **(75,6)** |
| Cash at beginning of year | 680,9 | 1.810,8 | (62,4) |
| Translation differences cash or equivalent | 5,2 | (61,1) | (108,5) |
| Discontinued operations | (301,2) | (629,6) | (52,2) |
| **Cash and cash equivalent at end of year** | **278** | **681** | **(59,2)** |

(1) Restated figures in the Income Statement due to the discontinuance of the activity in transmission lines in Brazil and the operating segment of Bioenergy.

- As of December 31, 2016, cash outflows from operating activities amounts to €328 million compared to €1,472 million in 2015, due to the lower cash generated from the profit of the year, the decrease in working capital and the tax and interests credit receipts and payments, mainly derived from the current situation of the Group given by the strong limitation of financial resources in which the Company is subjected in the last months and which has significantly affected the evolution of the business after the general deceleration of all activities.

- In terms of net cash flows from investment activities, there is a net cash inflow of €5 million as of December 31, 2016, compared with net cash outflow of €953 million in the same period 2015. The lower cash outflows from investment activities are mainly caused by the current situation of the Group mentioned previously. The main investments were mainly because of transmission lines in Brazil and cogeneration projects in Mexico, partially netted by the cash inflow due to the sale of the interest in Sham of Abengoa, Explotaciones Varias, for the sale of four photovoltaic plants located in the province of Seville and Jaén and for the sale of the convertible loan into shares of Befesa Medio Ambiente, S.L.U. and the sale of the interests that Abengoa owned in Xfera Moviles, S.A.

- Net cash flow from financing activities was €215 million as of December, 31 2016 compared to €1,986 million in the same period 2015. The lower cash inflows from financing activities are mainly caused by the current situation of the Group previously mentioned. Net cash generation mainly comes from a new liquidity line given at the end of March and September 2016.

## 2.2. Financial and non-financial key indicators

The main operational and financial indicators for the years ended December 31, 2016 and 2015 are as follows:

| Item | 2016 | 2015 | Var (%) |
|---|---|---|---|
| Consolidate EBITDA (millions)) | (241) | 343 | -170% |
| EBITDA margin (EBITDA/revenues) | -15.97% | 9.42% | -270% |
| Operating margin (Operating profit/revenue) | -143.77% | -0.81% | 17750% |
| Profit margin | -507.00% | -33.00% | 1424% |
| Basic earnings per share | -7.40 | -1.35 | 448% |
| Diluted earnings per share | -7.40 | -1.35 | 448% |
| Market capitalization (million) | 195 | 202 | -3% |

The key performance indicators for each activity are detailed below for the years 2016 and 2015:

| | 2016 | 2015 |
|---|---|---|
| **Engineering and Construction** | | |
| Backlog (€ in millions) | 2,698 | 7,700 |
| **Concession-Type Infrastructure** | | |
| Solar | | |
| MW under development | 300 | 300 |
| MW under construction | 380 | 750 |
| MW in operation | 200 | 162 |
| Total MW | 880 | 1,212 |
| Transmisión | | |
| Km of transmission under development | 188 | 188 |
| Km of transmission under construction | 6,707 | 6,253 |
| Km of transmission in operation | 3,532 | 3,532 |
| Total Km | 10,427 | 9,973 |
| Water | | |
| Capacity of desalination in operation (m3/day) | 475 | 475 |
| **Industrial Production** | | |
| Capacity Biofuels production (ML/Yr) | 1,030 | 3,270 |

# 2.3. Matters relating to the environment and human resources

## a) Environment

The necessary evolution of the company to a sustainable growth constitutes to Abengoa a commitment and an opportunity for the proper development and continuance of its business.

The environment sustainability is key in the strategy of Abengoa, which performs all its activity and process according to a sustainable development model, focused to grant the commitments to protect the environment and going further than legal compliance and considering at the same time the stakeholders expectations and good environmental practices.

Consequently, by year-end 2016, Companies ahve Environment Management Systems certified according to the ISO 14001 Standard.

This international standard allows us to grant all the legal, contractual and good practices requirements in environmental management which are identified and controlled properly. The unfulfillment risk management is the base of our management and the base for decision manking process.

## b) Human resources

Abengoa's workforce is formed by 15,983 people at December 31, 2016, which is a decrease of 27% compared to the previous year (21,932 people).

### Geographical distribution of the workforce

The 24% people are located in Spain while the remaining 76% are abroad. The total number of employees at the end of 2016 by geographical area and its share over the total is:

Distribution by professional groups

The number of employees by categories during 2016 and 2015 was:

| | Average number of employees in 2016 | | % Total | Average number of employees in 2015 | | % Total |
|---|---|---|---|---|---|---|
| Categories | Female | Male | | Female | Male | |
| Board of Directors | 1 | 6 | 0.1 | 2 | 10 | 0.1 |
| Directors | 42 | 326 | 2.3 | 56 | 464 | 2.4 |
| Management | 266 | 945 | 7.6 | 393 | 1,379 | 8.1 |
| Engineers | 753 | 1,742 | 15.6 | 1,188 | 2,649 | 17.5 |
| Assistants and professionals | 629 | 1,414 | 12.8 | 960 | 1,742 | 12.3 |
| Operators | 605 | 9,174 | 61.2 | 748 | 12,032 | 58.2 |
| Interns | 42 | 44 | 0.5 | 124 | 185 | 1.4 |
| **Total** | **2,338** | **13,651** | **100** | **3,471** | **18,461** | **100** |

# 3.- Liquidity and capital resources

## a) Liquidity risk

During the last year Abengoa's liquidity and financing policy during the last years has had intended to ensure that the company could have sufficient funds available to meet its financial obligations as they fall due. Abengoa has been using two main sources of financing:

- Project debt (Non-recourse project financing), which is typically used to aimed to finance any investment on project asset (see Notes 2.5 and 19 of the Notes to the Consolidated Financial Statements).
- Corporate Financing, used to finance the activities of the remaining companies which are not financed under the aforementioned financing model. This means of financing is managed through Abengoa S.A., which pools cash held by the rest of the companies so as to be able to re-distribute funds in accordance with the needs of the Group (see Notes 2.18 and 20 of the Notes to the Consolidated Financial Statements) and has carried out the obtention of the resources needed from the bank and capital markets.

To manage the working capital, Abengoa usually uses non-recourse confirming with various financial entities to outsource the trade payables payments, and non-recourse factoring. In addition, Abengoa has short term financing lines including commercial paper.

As said in Note 2.1.1, the Company has subscribed a financial Restructuring Contract, which in Directors´opinion, once signed and with the achievement of the Viability Plan associated to the Group´s ability to generate cash from operations which will allow the financial restitution of the parent company Abengoa, S.A., and to provide to Abengoa the optimal capital structure and the liquidity enough to continue its activity and operate in a competitive and sustainable manner in the future.

## b) Capital risk

During the last year the Group has managed capital risk aimed to be able to ensure the continuity of the activities of its subsidiaries from an equity standpoint by maximizing the return for the shareholders and optimizing the structure of equity and debt in the respective companies or projects.

Since the admission of its shares to trade on the stock market, the company has grown in the following ways:

- cash flows generated by conventional businesses;
- financing of new investments through project debt (project finance and bridge loan), which also generates business for conventional businesses;
- corporate financing, either through banks or capital markets;
- issuance of new shares of subsidiaries through organized markets;
- asset rotation;

The leverage objective of the activities of the company has not generally measured based on the level of debt on its own resources, but on the nature of the activities:

- for activities financed through project debt, each project is assigned a leverage objective based on the cash and cash flow generating capacity, generally, of contracts that provide these projects with highly recurrent and predictable levels of cash flow generation;
- for activities financed with Corporate Financing, the objective is to maintain reasonable leverage, depending on their optimal capital structure.

As indicated in note 2.1.1, the Company has signed a financial Restructuring Agreement . In the directors' opinion, once that reorganisation agreement is implemented and with the achievement of the Viability Plan associated by means of the Group´s ability to generate cash from operations which will allow the financial restitution of the parent company Abengoa, S.A., and to provide to Abengoa the optimal capital structure and the liquidity enough to continue its activity and operate in a competitive and sustainable manner in the future.

## c) Contractual obligations and off-balance sheet

The following table shows the breakdown of the third-party commitments and contractual obligations as of December 31, 2016 and 2015 (in thousands of euros):

| 2015 | Total | Up to one year | Between one and three years | Between three and five years | Subsequent |
|---|---|---|---|---|---|
| Loans with credit institutions | 4,858,342 | 3,547,607 | 1,111,866 | 146,719 | 52,150 |
| Notes and bonds | 3,550,269 | 3,550,269 | - | - | - |
| Liabilities due to financial leases | 21,102 | 13,088 | 3,188 | 1,687 | 3,139 |
| Other loans and borrowings | 1,251,151 | 998,168 | 148,773 | 103,109 | 1,101 |
| Obligations under operating Leases | 3,956 | 3,925 | 21 | 10 | - |
| Purchase commitments | 835,556 | 458,831 | 222,913 | 145,224 | 8,588 |
| Accrued interest estimate during the useful life of loans | 1,133,020 | 582,059 | 151,252 | 98,080 | 301,629 |

| 2014 | Total | Up to one year | Between one and three years | Between three and five years | Subsequent |
|---|---|---|---|---|---|
| Loans with credit institutions | 5,398,326 | 4,888,251 | 84,193 | 81,352 | 344,530 |
| Notes and bonds | 3,300,825 | 3,300,825 | - | - | - |
| Liabilities due to financial leases | 36,542 | 17,020 | 6,874 | 1,629 | 11,019 |
| Other loans and borrowings | 659,414 | 557,047 | 42,393 | 54,181 | 5,793 |
| Obligations under operating Leases | 10,450 | 2,487 | 2,814 | 2,457 | 2,692 |
| Purchase commitments | 2,836,092 | 2,498,391 | 318,156 | 2,815 | 16,730 |
| Accrued interest estimate during the useful life of loans | 1,644,957 | 491,474 | 646,296 | 271,111 | 236,076 |

## d) Investment plan

The Abengoa´s investment plan during the following years mainly focuses on the completion of projects currently under construction which include, among others, the following:

| Project | Business unit | Capacity | Country |
|---|---|---|---|
| Xina | Solar | 100 MW | Sudáfrica |
| Atacama 1 (CSP + PV) | Solar | 210 MW | Chile |
| Acueducto Zapotillo | Agua | 3,8 m3/seg | México |
| Boot Dgen Torrent Power LTD | Transmisión | 115 km | India |
| Centro Penitenciario | Cogeneración y Otros | - | Uruguay |
| A3T4 | Cogeneración y Otros | 840 MW | México |
| Norte III | Cogeneración y Otros | 924 MW | México |
| Agadir | Agua | 100,000 m3/día | Marocco |
| ATN 3 | Transmisión | 355 km | Perú |

# 4.- Principal risks and uncertainties

## 4.1. Operational risks

### 4.1.1. Risks related to Abengoa´s financial situation

The Restructuring is a complex transaction that will have a significant impact on the Group's reported financial situation; the impact on reported results may differ from that assessed by Group management

In discharge of the obligations assumed by the Company in the context of the process for the restructuring of the financial indebtedness and recapitalization of the Group, conducted throughout 2016 and early 2017 (the "Restructuring") and formalized through the agreement entered into on September 24, 2016 by the Company, a group of investors and a group of its creditors comprised of banks and bondholders issued by entities belonging to the Group (the "Restructuring Agreement"). The General Shareholders´ Meeting held on November 22, 2016 approved the issuance of new shares and warrants which will be executed afterwards by the Board of Directors.

The Restructuring is a complex transaction which, as a consequence of its implementation resulted in changes to the corporate and debt structures of the Group.

Although the management of the Group has made assessments of the consequences of the Restructuring, factors unknown to Group management may have an impact on the assessments made.

Therefore, the consequences of the Restructuring on the Group's financial position and results reported in the Consolidated Financial Statements following the date of completion of the Restructuring may be different from those assessed by Group's management.

Risks arising from Abengoa's negative net equity

As of December 31, 2016 the Company had approximately -6,357.1 million euros of individual negative net equity and it had incurred in losses for an amount of approximately 7,054.4 million euros. Furthermore the consolidated net equity amounted approximately to -6,780.0million euros, and the losses that the Group had incurred were approximate for the amount of 7,629.1 million euros.

According to Spanish law if a company's net equity is reduced as a result of losses to less than half of the share capital, that company shall be under a cause of dissolution unless its share capital is increased or decreased with the sufficient amount and as long it is not appropriate to request its insolvency. For this purpose, and pursuant to Article 36 of the Commercial Code, adjustments for changes of value arising from outstanding cash flow hedging transactions charged to the profit and loss account shall not be considered as equity.

Applying the above mentioned rules and settings, computable net equity of Abengoa on December 31, 2016 was -6,330.6 million euros, in other words, -6,331.5 million euros below the threshold of compulsory settlement established in Spanish law (in the case of Abengoa, 0.9 million euros, equivalent to half of its share capital at that date). Therefore, on the above mentioned date, Abengoa was involved in the case of the above mentioned dissolution scenario.

In any case, the terms of the restructuring of the financial indebtedness agreed between Abengoa and its financial lenders and other creditors, allowed for the restructuring and strengthening of Abengoa and its recapitalization through the Share Capital Increase.

As a result of the implementation of the aforementioned financial restructuring, Abengoa's management estimates a positive impact in the consolidated profit and loss and the consolidated equity of Abengoa of €6,000 – €6,500 thousand.

Risks relating to the indebtedness of Abengoa after the restructuring of its debt

a) High volume of financial indebtedness of Abengoa

Abengoa has traditionally required an important level of investment to ensure the development of its projects and the growth of its business, through the engineering, procurement and construction projects, solar plants, and other projects. In order to finance these investments Abengoa has resorted, amongst other financing sources, to syndicated facilities, guaranteed loans and others bank credits, having increased the financial indebtedness of the Group in the last years, to reach the amount of 9,680.7 million euros on December 31, 2016 and 9,638.2 million euros on December 31, 2015. At this high level of debt, there is a risk that, if market or business operating conditions does not recover or they further deteriorate or the restructuring of the financial debt of the Company does not finally take place in the agreed terms, the business of the Company may be unable to generate enough cash flows in order to deal with its current debt maturities.

Moreover, and even after the restructuring of the financial debt, Abengoa keeps a financial indebtedness, even after the adjustments made due to the restructuring process..

In any case, the ability of Abengoa to repay or refinance its debt, deal with the requirements of working capital and attend their investment commitments, or take advantage of business opportunities that may arise in the future, will depend on future operating results and the ability of their business to generate cash flows recursively. This will be conditioned, to some extent, and among many other factors, by the economic, financial, market and competitive situation, some of which are outside of the scope of control of the Company. The high indebtedness of Abengoa could have additional consequences in its business and financial situation, such as:

- that the Company may be obliged to devote a significant portion of its cash flows to operations regarding repayment debt, avoiding, therefore, that such flows can be used for other purposes;
- to increase the vulnerability of the Group to adverse economic conditions and/or specific conditions of the sectors where the Company operates, limiting its flexibility to react to changes in the business or the industry in which it operates;
- the ability of the Company to make strategic acquisitions or undertake other corporate operations may be limited;
- that the Company is in a situation of competitive disadvantage against competitors who have greater funds availability, a lower level of debt or less strict covenants with its financial lenders; or
- that the Company deals with a limitation on its ability to borrow additional funds or deal with an increase of the cost of these funds (which eventually also could affect the ability of the Group to refinance its debt in the future).

b) Ratios and covenants imposed by the refinancing under the Restructuring Agreement

On December 31, 2015 Abengoa did not attend the ratios referred to in different facilities, loans and notes to which he was part of, either as borrower or as guarantor. However, the agreements entered in the context of the financial restructuring, and by which it is imposed the obligation that Abengoa shall keep or improve, according to the case, certain financial ratios, including a ratio of a maximum total leverage.

Additionally, the above mentioned agreements entered into in the context of the financial restructuring included certain clauses and covenants that limit the ability of Abengoa to participate in certain types of operations or perform certain situations as, for example, to incur on additional indebtedness, to pay dividends or to make certain investments.

The capacity of Abengoa to deal with these terms or covenants, including the ratios, may be affected by factors and circumstances out of its control. As a result, Abengoa cannot ensure that it may be forced in the future to request again exemptions or waivers to the ratios or covenants provided for in the agreements entered in the context of financial restructuring, neither that will be granted at the expected terms.

Risks relating to the impossibility of completing the plan for disinvestment in assets throughout 2016 and 2017 financial years

A key element of the Company's Viability Plan published on August 16, 2016 to reduce the corporate debt, improve the liquidity position, and stabilize operations and relationships with Abengoa commercial partners is the implementation of the Company's asset disposal plan. In accordance with this program, it is expected that approximately €421 million will be obtained by the end of the 2017 financial year through the partial or complete sale of certain non-core assets. As of December 31, 2016 we have closed the sales of various assets totaling €200 million.

Abengoa's ability to obtain at least approximately €421 million through the implementation of the enhanced plan for disinvestment in assets before the end of the 2017 financial year is subject to a number of risks and uncertainties, including, amongst others, the following:

- Adverse market and macroeconomic conditions that might have a negative effect on investors' interest in purchasing these assets;
- The non-existence of purchasers who wish to acquire the assets at the prices and under the terms that Abengoa considers appropriate to obtain the desired profitability and meet the liquidity requirements;
- Interested buyers might not have financing under terms that are favorable for them or might not have any financing to buy Abengoa's assets;
- The government authorities that granted the concessions or other partner organizations in the relevant contracts might not give their consent to the transfer of the concession or of the long-term power purchase agreement in time or under terms that are acceptable to Abengoa or the buyer of the asset;
- The lenders of the project financing associated with the assets for sale might not give their consent to the sale of the assets in question in time or under terms that are acceptable for Abengoa;
- Abengoa's equity partners in the project companies associated with the assets for sale might not give their consent to the sale of the assets in question in time or under terms that are acceptable for Abengoa; and

If Abengoa does not manage to implement the asset rotation plan in our Viability Plan published on August 16, 2016, Abengoa might not be able to repay the corporate financing and project financing and might have to restructure again or refinance these obligations. Abengoa could also be unable to stabilize its operations and its relationships with commercial partners and might have to delay or reduce its investments in fixed assets (capex) or reject business opportunities. Furthermore, Abengoa's inability to complete the sales during 2017 of the assets that are identified as assets available for sale, although such sale is considered to be highly probable by Abengoa, would prevent Abengoa from continuing to classify any asset and related liability that has not been sold as available for sale and would entail the reclassification of the asset and related liability, including the debt, in the Consolidated Financial Statements, which would have the effect of increasing the levels of corporate financing and project financing.

Risk of a shortfall of the Viability Plan developed by the Company and eventual deficit of its cash flows

The terms and conditions of the restructuring of the debt of Abengoa are based on a Viability Plan developed by the Company to normalize its operational situation and attend the schedule of the debt service, allowing the maintenance of its positive liquidity. This Viability Plan considers some factors that may deviate from the analyzed scenarios, including, for instance those regarding prices and volumes of sales, margins, normalization of the conditions of the working capital, etc. In this regard, the Viability Plan considers the disposal for the following years in certain assets. In case the scenarios, on which the Viability Plan is based on, will not be addressed, or in case any of its parameters change, Abengoa may face difficulties to generate the expected cash flows and, consequently, to attend its debt service. The result would have a negative impact on the business and financial status.

Likewise, in case the cash flows of Abengoa may not be enough to attend its expenses and attend its investments commitments and/or obligations of debt service, Abengoa may be obliged to obtain additional funds or to reduce costs, through any of the following methods:

(i) Increase, as far as possible, the loaned amounts under the amended credits and loans in the context of its finance restructuring;

(ii) Fall into an additional financial indebtedness authorized under the terms of the Restructuring Agreements;

(iii) Restructure or refinance again its financial indebtedness before its maturity date under its own terms;

(iv) Delay or decrease the investments in order to maintain its operations and react to the market conditions and the increasing competence;

(v) Reduce the number of its employees or the cost of each one; and/or

(vi) Delay the execution of its strategic plans.

Risks arising from the guarantees granted by the Company as collateral of the new financing arrangements subscribed in the context of the Restructuring

In consideration of creditors for voluntarily acceding to the Restructuring Agreement and opting for Alternative Restructuring Terms therein, the Company assumed before those creditors, amongst others, the obligation to implement a corporate restructuring of the Group under which a major part of the Company's assets have been contributed to a series of holding companies, whose shares would be devoted to serve as the underlying assets of the guarantees to be granted by the Company as collateral of the new financing agreements entered into by the Company and the new money financing providers.

Therefore, if Abengoa breaches any of the debt servicing obligations or breaches any related financial or operational limitation under any of those financing agreements, the creditors could declare the total value of the debt immediately due and payable and could foreclose on any asset pledged as collateral, which may result in the Company losing control over, or being deprived of, the underlying assets. Furthermore, some of the financing agreements contain cross default clauses, meaning that breach of one specific financing agreement will automatically count as a breach of other financing agreements, accentuating the effect of an individual breach. Consequently, a breach relating to debt could entail a substantial loss for Abengoa and could have a significant adverse effect on the ability of Abengoa and its subsidiaries to meet their respective obligations regarding said debt and eventually lead the Company into a cause of dissolution or insolvency.

Risks arising from Company's dividend policy

The terms and conditions included in the financial agreements include a prohibition on the distribution of dividends until all of the New Money financing and Old Money financing is repaid in full. Therefore, we expect that no dividend payments will be made until, at least, 2023, date in which the last Old Money financing is expected to be repaid.

The prohibition on dividends also applies to AbeNewco 1 and AbeNewco 2 and any subsidiary of Abengoa in which AbeNewco 1 or AbeNewco 2 is a shareholder, [except for distributions required to attend scheduled debt service payments].

Risks relating to possible judicial actions filed in the context of the Restructuring

On July 25, 2016, "Banco Base S.A., Institución de Banca Múltiple" ("Banco Base"), in its condition as creditor of Abengoa's Mexican subsidiary "Abengoa México, S.A. de C.V." ("Abengoa México"), filed a judicial petition for the declaration of the commercial insolvency of Abengoa México. Said procedure was filed before the Sixth Court in Civil Affairs of Mexico City, which, despite two separate reports from the expert appointed by the Court (visitador) to the contrary, by judgement dated December 16, 2016, ruled on the declaration of Abengoa México´s commercial insolvency. Despite the declaration, the control of Abengoa México remains with the current management.

Abengoa México, the visitador and, despite the fact that the Court resolved in its favor, Banco Base as well, filed an appeal against said judgment.

Currently, the process is at conciliatory state with a legal duration of 185 calendar days, term that can be extended by the court, after which, as per Mexican applicable law, the reorganization agreement that is to be reached by the debtor and the majority of its recognized creditors must be executed and filed before the Court.

Although the Company expects that the conciliatory state will result in the signing of such reorganization agreement, in case that no agreement is reached amongst Abengoa México and its creditors as per applicable Mexican Law the company will be considered bankrupt.

Abengoa operates with high levels of debt and could take on additional borrowing

Abengoa's operations are capital intensive and the Company therefore operates with a high level of indebtedness.

The consolidated gross financial debt at December 31, 2016 was €9,638 million, and at December 31, 2016 was €9,681 million. Of the consolidated gross debt at December 31, 2015, €6,568 million correspond to corporate financing and €3,070 million to project debt. Of the consolidated gross debt at December 31, 2016, €7,665 million correspond to corporate financing and €2.016 million to project debt. Project debt is generally understood to be financing that does not have recourse to the parent company or controlling shareholder or another Abengoa company, but whose repayment is instead guaranteed by the flows and assets of the projects financed under this method, as well as by the shares of the project companies.

Of the €3,070 million in project debt at December 31, 2015, approximately €2,049 million correspond to bridge loans, and of the €1,969 million in project debt at December 31, 2016, approximately €1,844 correspond to bridge loans, in which Abengoa and/or its subsidiaries (distinct from the project subsidiaries) guarantee bonds for the purpose of acting as sponsors during the period prior to the period in which the project companies guarantee the financing of the project in the long term (typically periods

of under 2-3 years). In the case of failure to comply with these obligations, the creditors would have recourse against Abengoa and any other subsidiary that might have guaranteed these bonds. If it has not been possible to assign the bridge financing to projects under construction, this financing will be classified in the consolidated statement of financial position as corporate financing, depending on the nature of the loan.

Abengoa's high level of debt could, amongst others, have the following consequences:

- Impede the successful refinancing of future maturities;
- Impede compliance with obligations relating to pending debt;
- Make future borrowing more expensive;
- Increase vulnerability to general adverse economic and industrial conditions;
- Inability to fulfill short-term payment obligations;
- The need to dedicate a substantial volume of operational cash flows to payments relating to the debt, thus reducing the availability of the cash flows to finance the working capital, investment in fixed assets (capex), R&D&i investment, and other business aims;
- Restrict the ability to make dividend payments and that the subsidiaries make dividend payments to Abengoa in view of the payment limitations and restrictions set out in the financing agreements;
- Limit flexibility in planning or in reaction to changes in the business and markets in which Abengoa operates;
- Put Abengoa at a competitive disadvantage compared to competitors with lower levels of debt;
- Limit the ability to borrow additional funds; and
- Compromise the viability of the Company.

If the operational cash flows and other resources are insufficient to repay the obligations when they mature or to finance liquidity requirements, Abengoa might be obliged to carry out one or more of the following actions:

- Delay or reduce investment in fixed assets (capex);
- Forego business opportunities, including acquisitions; or
- Again, restructure or refinance all, or part, of the debt when it matures or before then.

If Abengoa breaches any of the debt servicing obligations or breaches any related financial or operational limitation, the creditors could declare the total value of the debt immediately due and payable and could foreclose on any asset pledged as collateral. Furthermore, some of the financing agreements contain cross default clauses, meaning that breach of one specific financing agreement will automatically count as a breach of other financing agreements. Some of the financing agreements also contain cross default clauses relating to financing agreements of other sponsors that are not related with Abengoa. These cross default clauses could accentuate the effect of an individual breach. Consequently, a breach relating to debt could entail a substantial loss for Abengoa and could have a significant adverse effect on the ability of Abengoa and its subsidiaries to meet their respective obligations regarding said debt.

Despite the significant current leverage, the terms of the agreements relating to debt allow Abengoa and its subsidiaries, joint ventures, and associates to incur extra debt in the future, including secured debt. Furthermore, the terms of the debt do not limit the value of the project financing that can be incurred, including project financing in the form of bridge loans secured by Abengoa and/or its subsidiaries. If Abengoa incurs additional debt, the current risks might intensify.

Finally, under the terms of the debt issuances, the Company is obliged to offer the repurchase of the bonds if there is a change in control of the Company.

In the case of a change of control, Abengoa might be unable to obtain sufficient funds to be able to repay all of the outstanding debt under the finance agreements or to repurchase the bonds.

Risks derived from the need to make significant levels of investment in fixed assets (CAPEX)

In order to carry out its operations the Company requires a certain level of investment in fixed assets (capex), principally in the area of Concession-Type Infrastructure activity, as well as Engineering and Construction, investment that is expected to increase significantly over the next few years. This level has traditionally been high but the Company expects to switch to a lower intensive capex model. In accordance with the updated Viability Plan presented on August 16, 2016 and its new corporate strategy, Abengoa has decided to minimize cash contribution into existing projects, taking the decision to sell or hibernate the most cash-consuming projects. Abengoa also intends not to contribute cash in new concessional (Integrated Product) projects until the first quarter for 2018. From 2018 through 2020, Abengoa has plans to limit its equity investment in future projects at a total of €535 million approximately. This limit includes the assumption of limiting the equity participation to 33% of the total equity needs of the individual projects, and a total leverage of 70%.

Return on investment, especially made in concessions, will occur in the medium to long term and there is a risk that some of the Company's projects will not deliver a return on investment because of operational problems attributable to the Company or for reasons external to it. In this regard, as has happened in the past (e.g. projects in Brazil, Chile, and Mexico), it is possible that Abengoa's investments in fixed assets (capex) will be greater than initially envisaged.

Furthermore, there is the risk that new financial conditions will be imposed, as the Brazilian government did in the first half of 2015 by reducing the permitted leverage in relation to power transmission line projects in that country and increasing the value of the capital that must be invested.

The investment needs imply a reliance on access to capital markets and bank financing both to finance new projects and to meet the general corporate finance requirements. The problems accessing financing, motivated amongst other reasons by the existing high level of debt, might increase the cost of obtaining financing, or it might even not be possible to obtain it, with a subsequent reduction in the internal rate of profit of the projects that partially depend on the Company's degree of leverage.

If these difficulties in accessing financing persist, it might not be feasible to close on the financing, something that might require additional investment by Abengoa or might result in not accomplishing the projects.

The cost of this financing, and ultimately its very availability, might mean that the Company cannot invest in these projects and must sell them, with the subsequent loss of the development costs incurred and the expected future profitability.

Risks arising from the need to generate positive cash flows

As a result of the investments made in Abengoa's different activities in fixed assets (capex) during the years 2013, 2014 and 2015, Abengoa has generated negative net cash flows from operating and investment activities amounting to a total of €651.9 million, €2,481.1 million and €2,799 million, respectively.

The high level of debt requires the dedication of a substantial part of the operational cash flow to interest on debt payment, thus reducing Abengoa's ability to make payments, refinance the debt and finance investments in fixed assets (capex) and in R&D&i initiatives. Furthermore, a substantial part of the "project" financing of the project companies is fully amortized during the term of this financing and Abengoa is confident in the generation of cash flows by these project companies to meet these payment obligations. Abengoa's cash flows are, to a great degree, subject to economic, financial, competition, legislative, regulatory and other factors that are outside the Company's control. However, Abengoa cannot guarantee that the business will generate sufficient cash flows from operations; that the ongoing cost savings and operational improvements will be made in the anticipated timescale; that Abengoa will be able to maintain the expected terms regarding receipts and payments and therefore maintain the negative working capital balance; or that future provisions of financing agreements will be sufficient to cover the debt, finance other liquidity requirements or make it possible to continue with the business plan. Abengoa may have to refinance all or part of the debt on the debt it matures or before then. Abengoa cannot guarantee that it will be able to refinance this debt under commercially reasonable terms.

Risks deriving from the terms and conditions of the new financing instruments envisaged in the Restructuring Agreement could adversely affect the Group's business

The terms and conditions of the new financing instruments entered by the Company pursuant to the implementation of the Restructuring Agreement contain covenants that could adversely affect the Group's business because:

- They significantly limit or impair the Group's ability in the future to obtain financing, refinance indebtedness, sell assets or raise equity.
- They restrict Abengoa's ability to make distributions with respect to its shares and the ability of the Group's subsidiaries to make certain distributions.
- They reduce the Group's flexibility to respond to changing business and economic conditions to take advantage of business opportunities that may arise.
- They could make the Group more vulnerable to downturns in general economic or industry conditions in its business.

In the event of a breach of any of the covenants under the new financing instruments, an event of default under the relevant financing instrument may be declared and, consequently, the principal and all accrued and unpaid interest under the relevant financing instrument would be declared due and payable. In addition, if an event of default was declared, securities guaranteeing the obligations under the relevant financing instrument, if any, may also be enforceable. As a result, a breach of a covenant under the new financing instruments may adversely affect the Group's business, results of operations and financial condition.

### 4.1.2. Regulatory risk

Risks derived from reductions in government budgets, subsidies and adverse changes in the law that could affect the Company's business and development of its current and future projects

The reduction in public spending on infrastructure has an impact on Abengoa's results, since a large part of the projects developed by Abengoa are promoted by public bodies, which provide the Company with a volume of income that is difficult to match with private investment, especially in the current economic environment as they are very capital-intensive projects that require a large initial investment and whose economic returns begin to be profitable in the very long term.

It should be mentioned that while Abengoa's business focuses increasingly outside of Spain and has gradually spread to other countries, a significant part of that activity is still concentrated in Spain. In recent years, Spain has experienced an economic situation that has resulted in a decline in the tax revenues collected by the various government agencies, as well as increased public deficit and a sharp increase in the cost of sovereign debt.

Risks derived from compliance with strict environmental regulations

Abengoa's business is subject to significant environmental regulations which, among others, require the Company to carry out environmental impact studies in future projects or project changes, obtain regulatory licenses, permits and other authorizations, and meet the requirements of such licenses, permits and authorizations.

A breach of these regulations may lead to significant liability, including fines, damages, fees and expenses and the closure of facilities.

Risk derived from a reliance on favorable regulation of the renewable energy business and bioethanol production

Renewable energy is rapidly maturing but its cost of generating electricity is still significantly higher than conventional energy production (nuclear, coal, gas, hydroelectric). Governments have established support mechanisms to make renewable generation projects economically viable, in the form of subsidized tariffs (mainly in Spain), supplemented in specific cases with direct support for investment (mainly in the USA).

The subsidized tariffs vary depending on the technology (wind, photovoltaic –"PV"–), STE, biomass) since they are at different stages of maturity and the regulator wants to promote the development of each type by giving developers sufficient economic incentive in the form of a reasonable return on their investment. Without this support, any renewable energy project would currently be unfeasible, although as the technology matures, the need for this support will diminish or even completely disappear over the long term.

Subsidy schemes for renewable energy generation have been the subject of legal proceedings in the past in various jurisdictions (including claims that such schemes constitute state aid that is forbidden in the European Union).

If all or part of the subsidy schemes and incentives for renewable energy generation in any jurisdiction in which Abengoa operates are determined to be illegal and, therefore, are eliminated or reduced, Abengoa might not be able to compete effectively with other forms of renewable and conventional energy and could even be unable to complete some projects that are currently underway.

Risk derived from changes in national and international politics of support to renewable energy that affects to Aberngoa Projects

Recently, some countries have approved politics of support to renewable energies. Even when the support to the renewable energies by the governments where Abengoa operates has been historically strong, some politics currently in force could finish, suspend or not renew. Consequently, it is not possible to grant the total or partial support of governments.

If governments and regulatory bodies in jurisdictions where Abengoa operates decreased or cancel the support of development of solar energy, due to, for instance, to other priorities of financing, politic considerations or a desire to favor other energy sources, the solar plants which Abengoa plans to develop in the future could be less profitable or no longer be viable.

### 4.1.3. Operational risk

Risks arising from delays or cost overruns in the Engineering and Construction activity due to the technical difficulty of projects and the long term nature of their implementation

In the Engineering and Construction activity, it is important to note that –with few exceptions– all of the agreements that Abengoa has entered into are 'turnkey' construction agreements (also known as "EPC agreements"). Under the terms of these agreements the client receives a completed facility in exchange for a fixed price. These projects are subject to very long construction periods of between one and three years. This type of agreement involves a certain amount of risk that the costs will be higher than those expected and the profitability of the project will be diminished since the price offered prior to beginning the project is based on cost estimates that can change over the course of the construction period, which can make certain projects unprofitable or even cause significant losses. Delays can result in cost overruns, deadlines being missed or penalty payments to the client, depending on what has been negotiated. Furthermore, in most EPC contracts Abengoa is responsible for every aspect of the project, from the engineering through to the construction, including the commissioning of the project.

Likewise, Abengoa must ensure that at all times it respects the minimum levels of subcontracting permitted by regulations applicable in the construction sector and registers with the Register of Accredited Companies (a register which aims to prove that companies operating in the construction sector meet the requirements of capacity and quality in the prevention of occupational hazard), as well as monitoring that the subcontractors are duly registered. Otherwise, Abengoa could be jointly and severally liable for wages and social security. These circumstances should be taken into account especially in "turnkey" contracts.

The nature of the Engineering and Construction business exposes the Company to potential liability claims

The Engineering and Construction business carries out operations in which flaws in the design, construction or systems can involve substantial damages to third parties. Moreover, the nature of the

Engineering and Construction business means that customers, subcontractors and suppliers occasionally file claims against Abengoa to recover the costs they have incurred in excess of their provisions, or for those for which they do not consider themselves to be contractually liable. Abengoa has been and will be in the future a respondent in legal proceedings in which the parties claim damages and compensation in connection with Abengoa projects or other matters. These claims and lawsuits arise in the normal activity of the Company. In those cases in which it is concluded that Abengoa is liable, Abengoa may not be covered by its insurance or, should it be covered, the amount of these liabilities could exceed the limits of Abengoa's policies.

Backlog risk: cancellation of pending projects in Engineering and Construction

It is important to note that the term "backlog" usually refers to projects, operations and services for which we have signed contracts and in respect of which we have received non-binding commitments from customers or other operations within the Group, where the related revenues are not eliminated upon consolidation. Commitments may be in the form of written contracts for specific projects, purchase orders, or indications of the amount of time and materials we need to make available for customers' anticipated projects. Some of the projects are conditional upon other factors, usually the process of obtaining third party financing. Similarly, all the projects in the backlog are exposed to unexpected adjustments and cancellations, as well as early termination, variations or non-payment, since the projects may remain in the portfolio for an extended period of time. The Engineering and Construction contracts that Abengoa signs in the framework of the development of its projects are often executed over a period that may exceed two years to complete construction. This circumstance increases the chances that any of such contracts could be terminated early, while respecting the corresponding notice periods. These cancellation processes are legally or contractually regulated, with compensation procedures having been established. However, if any breach or default exists on the part of Abengoa, the Company may not be entitled to receive the compensation stemming from the early termination.

Abengoa cannot guarantee that the expected revenues from its "backlog" will materialize or, even if they do materialize, that they will lead to a profit. Due to the possible termination of projects, suspensions and changes in the schedule and scope of the project, it is not possible to predict with certainty when the backlog may be updated or whether it should be updated. Nor can Abengoa guarantee that additional cancellations will not occur and, even if a project progresses as planned, it is possible that the customer may become insolvent and not pay the amounts due to Abengoa. Material delays, cancellations and payment defaults could significantly affect Abengoa's business, financial position and the results of its operations.

The term "backlog" may not reflect the definition used by other companies with similar activities to those of Abengoa. Therefore, the determination of the backlog may not be comparable to other companies using a different definition.

In accordance with the transition of Abengoa to an "asset light" business plan, Abengoa is focusing its Engineering and Construction business into "turn key" projects and concession-type projects which require a limited investment of capital and no investment by Abengoa. In this respect, the "turn key" and concession- type project backlog in the last years has significantly grown.

The results of the Engineering and Construction ("E&C") activity depend to some extent on the growth of the Company's Concession-type Infrastructures

The Engineering and Construction business is Abengoa's most important activity in terms of revenues. A significant part of this business has depended on the construction of new assets for the Concession-type Infrastructures activity, especially power plants, transmission lines and water infrastructures.

If Abengoa is unsuccessful in winning new contracts in its Concession-type Infrastructures activity, the revenues and profitability of the Engineering and Construction activity might suffer.

Risks associated with concession-type infrastructure projects that operate under regulated tariffs or very long term concession agreements

Revenues obtained from concession-type infrastructure projects are highly dependent on regulated tariffs or, if applicable, long term price agreements over a period of between 25 and 30 years, depending on the asset. Abengoa has very little flexibility with regards to amending these tariffs or prices (being subject to increases indexed to the CPI and to possible requests for the economic rebalancing of the concession) when faced with adverse operating situations, such as fluctuations in commodity prices, exchange rates, and labor and subcontractor costs, during the construction and operating phases of these projects. Higher than expected operating costs, especially after many years in operation, in most cases cannot be passed on to the rate or price and would therefore diminish the operating margin and, consequently, the profitability of the project would be reduced. These projects are normally calculated with tariffs or prices that are higher than the operating and maintenance cost.

Similarly, government agencies (in some jurisdictions) or customers (where applicable) are entitled to sanction poor provision of the services under the operational activity, with a lowering of the rate structure or by postponing its update. In the area of renewable energies in particular, there is a risk that the government could reduce or eliminate the rates currently in force at any time during the life of the concession.

Risks derived from the existence of termination and/or renewal clauses of the concession agreements managed by Abengoa

Projects involving the operation of concessions are governed by the provisions of public contracts, where the competent government agency has certain prerogatives, such as monitoring the effective enforcement of contracts through the requirement for submission of technical, administrative or financial reporting, or

the unilateral modification (subject to certain limits) of the established commitments. In any case, these contracts are subject to revocation or termination or non-renewal clauses which may be applicable in cases of inadequate compliance with the commitments (on investment, compliance with efficiency and safety standards, etc.) established in those contracts.

The products and services of the renewable energy sector are part of a market that is subject to strict competition rules

To ensure continuity in the long term, Abengoa must be able to compete with conventional energy sources and other sources of renewable energy without public aid. Current levels of government support for renewable energy are intended to support the industry while it develops the technology needed to reduce costs and improve processes. Consequently, as the costs of generation or production decrease, this level of government support is likely to be gradually reduced for many critical projects in the future. In the medium and long term, a gradual but significant reduction in tariffs, premiums and incentives for renewable energy cannot be ruled out. If this reduction occurs, market participants, including Abengoa, must reduce prices to remain competitive with other alternatives. If cost reductions and product innovation do not take place or take place more slowly than necessary to achieve a reduction in prices, this may have a significant negative effect on Abengoa's business, financial position and the results of its operations.

The Company also faces significant competition from other suppliers of renewable energy. Regarding the solar energy industry, Abengoa estimates that competition will continue to increase as a result of the entry of new market participants and/or the substitution of renewable energy sources due to the increasing growing demand for the latter. Other factors that may contribute to this are the lower barriers to entry in these markets due to the standardization of the technologies, improved financing opportunities and increased government support. Although Abengoa strives to remain competitive, Abengoa cannot guarantee success over the competition. Should Abengoa fail to compete successfully, this could adversely affect the ability to grow the business and income generation, which could have a significant adverse effect on Abengoa's business, financial position and the results of its operations.

Internationalization and country risk

Abengoa has projects on 5 continents, some of them in emerging countries, including locations as diverse as Africa, Australia, China, India, Middle East, North and South America (including Brazil), and it is expected to expand operations to new locations in the future. Abengoa's various operations and investments may be affected by different types of risk related to the economic, political and social conditions of the various countries in which the Company operates, particularly in countries with a higher degree of instability in the various factors cited and often referred to jointly as "country risk", which include:

- the effects of inflation and/or the possible devaluation of local currencies;
- possible restrictions on capital movements;
- regulation and possible unanticipated changes that could have adverse retroactive effects for Abengoa;
- the exchange/interest rate;
- the possibility that governments could expropriate or nationalize assets or increase their involvement in the economy and management of companies, as well as not granting or revoking previously granted licenses;
- the possible imposition of new and higher taxes or tariffs;
- the possibility of economic crises, political instability or civil disturbances.

For example, some of the contracts of Abengoa in Peru and Mexico are payable in local currency at the exchange rate on the payment date. In the event of a rapid devaluation or the establishment of exchange controls, Abengoa might not be able to convert to the local currency the amount agreed in dollars, which could affect the liquidity position of Abengoa.

In addition, in recent years, we have experienced episodes of political and social instability, with regime changes and armed conflicts in certain countries in the Middle East and Africa, including Egypt, Iraq, Syria, Libya and Tunisia. These events have increased the political instability and economic uncertainty in some of the countries in the Middle East and Africa where Abengoa operates.

Although activities in emerging countries are not concentrated in any specific country (except Brazil), the occurrence of one or more of these risks in a country or region in which Abengoa operates could have a significantly adverse effect on Abengoa's business, financial position and the results of its operations.

Abengoa's policy is to hedge the country risk through country risk insurance policies (covering cases such as political violence, expropriation, nationalization, confiscation, regulatory risk, failure to pay amounts related to the investment, dividends, amortization of credits, contractual breaches by the authorities of the host country regarding the insured investment and revolution or war) and the transfer of risk to financial institutions through the corresponding financing agreements or other mechanisms. However, it is not possible to guarantee that these mechanisms will ensure full coverage of possible contingencies or the full recovery of damages in all cases.

Risks derived from turnover in the senior management team and among key employees or from an inability to hire highly qualified personnel

Abengoa's future success heavily relies on the participation of the entire senior management team and key employees, who have valuable experience in every business area. Abengoa's capacity to retain and

motivate senior executives and key employees and to attract highly skilled employees will significantly affect Abengoa's ability to develop the business successfully and expand operations in the future. Abengoa's restructuring process has caused the leave of some skilled employees of the Company. If Abengoa loses one or more of its senior executives or valuable local managers with significant experience in the markets in which it operates, Abengoa could find it difficult to appoint replacements.

Risks derived from associations with third parties when executing certain projects

Abengoa undertakes large projects (both in terms of the resources allocated and the income derived therefrom), which are becoming increasingly more technically complex and are characterized by the award of the entire project to a single contractor. Given the complexity of the projects (usually designed ad hoc) they require the involvement of third parties specializing in the processes necessary to carry out certain activities related to such projects.

In this regard, it should be noted that Abengoa has made investments in certain projects with third parties where such third parties provide technical expertise to the project. In certain cases, such collaborations are developed through uniones temporales de empresas or "UTEs" (a type of temporary joint venture under Spanish law) or joint ventures over which Abengoa has only partial control or joint control.

The delivery of products and the provision of services to clients, and compliance with the obligations assumed with these clients, can all be affected by problems related to third-parties and suppliers

Some Abengoa contracts require services, equipment or software that are outsourced to third parties, as well as material that is obtained from third party suppliers. The delivery of products or services that do not meet the contractual requirements or the late delivery of products and services may involve a breach in the contracts entered into with customers. Insofar as Abengoa is not able to transfer all the risk or obtain compensation from such third parties, Abengoa will be exposed to customer claims as a result of problems caused by such third party.

Projects developed through UTE or joint venture agreements are subject to the risk that the Company's partner may block decisions that may be crucial to the success of the project or investment in the project, and it runs the risk that these third parties may in some way implement strategies that are contrary to Abengoa's economic interests, resulting in a lower return. Furthermore, the success of these partnerships depends on the satisfactory compliance by partners with their obligations. If third parties cannot satisfactorily meet their obligations due to financial or other difficulties, the said partnership may fail to perform or comply with its obligations towards a customer. In these circumstances, Abengoa could be required to make additional investments or provide additional services to ensure the provision of services, or take responsibility for breaches vis-à-vis the customer, or assume additional financial or operational obligations that could eventually lead to lower profits or losses.

Despite its low supplier concentration, Abengoa's reliance on suppliers to secure industrial materials, parts, components and subsystems used in its activity may expose Abengoa to volatility in the prices and availability of these materials. A disruption in deliveries from Abengoa's suppliers, supplier capacity constraints, supplier production disruptions, closing or bankruptcy of Abengoa's suppliers, price increases or decreased availability of raw materials or commodities could have a material adverse effect on Abengoa's ability to meet its customer commitments or result in an increase in Abengoa's operating costs if Abengoa is not able to transfer the increased costs on to the customer.

Abengoa's business depends to a low degree on long-standing relationships with certain key customers.

Risks relating to changes in technology, prices, industry standards, and other factors

The markets in which Abengoa's activities operate change quickly owing to technological innovations and to changes in the prices, industry standards, client requirements, and the economic environment. New technology or changes in the industry and in clients' requirements might mean that existing products and services become obsolete, excessively expensive, or not easily marketable. Consequently, Abengoa must improve the efficiency and reliability of existing technologies and pursue the development of new technologies to remain at the forefront of industry standards and the requirements of clients. Some of Abengoa's competitors might have substantially greater financial resources than Abengoa. If the Company is unable to introduce and integrate new technologies into its products and services in a timely and cost effective manner or does not obtain the necessary financing to carry out appropriate R&D&i activities, Abengoa's competitive position and growth prospects might deteriorate, resulting in an adverse material impact on Abengoa's business, financial situation, and operating results.

Insurance policies taken out by Abengoa may be insufficient to cover the risks arising from projects and the cost of insurance premiums may rise

Abengoa's projects are exposed to various types of risk that require appropriate coverage in order to mitigate their potential effects. Despite Abengoa's attempts to obtain the correct coverage for the main risks associated with each project, it is impossible to guarantee that it is sufficient for every type of potential loss.

Abengoa's projects are insured with policies that comply with sector standards in relation to various types of risk, such as risks caused by nature; incidents during assembly, construction or transport; and loss of earnings associated with such events. All of the insurance policies taken out by Abengoa comply with the requirements demanded by the institutions that finance the Company's projects and the coverage is verified by independent experts for each project.

Furthermore the insurance policies taken out are reviewed by the insurance companies. If insurance premiums increase in the future and cannot be passed on to the client, these additional costs could have a negative impact for Abengoa.

Risks arising from the difficult conditions in the global economy and in global capital markets and their impact on reducing the demand for goods and services and difficulties in achieving the funding levels necessary for the development of existing and future projects and debt refinancing

The evolution of Abengoa's business has been traditionally affected not only by factors intrinsic to the Company but also by external factors such as economic cycles and their impact on the regions and areas where the Company operates. Typically, in situations of economic growth, the demand for the services offered by the Company increases and, conversely, in situations of economic instability or recession, demand suffers.

Since early 2008, the impact of the global financial crisis, which has particularly affected the global capital and credit markets, has been very notable. Concerns over geopolitical issues, inflation, energy costs, lack of credit fluidity, the high cost of debt, the sovereign debt crisis and the instability of the euro, among other factors, have led to a significant drop in expectations for the economy in general and, more strongly, in the capital markets. These factors –combined with the volatility of oil prices, the loss of consumer and business confidence and rising unemployment– have contributed to worsening the economic situation of many regions where Abengoa operates.

The crisis has had a global impact, and has affected both the emerging and developed economies in which Abengoa conducts a significant part of its operations (i.e. Brazil, the United States and Spain). Economic growth and recovery, both globally and in the European Union, have returned since that time but they remain fragile and subject to limitations on financing in the private sector, concerns about future increases in interest rates and continued uncertainty surrounding the resolution of the euro zone crisis. Consequently, uncertainty and economic instability may have an adverse material impact on operators' decisions to invest in the products sold by Abengoa.

Abengoa is a Spanish company and its capital is denominated in euros. The effects on the global and European economy of the exit of one or more member states from the euro zone, such as Greece's possible exit from the European Union, the secession movement by Catalonia in Spain, the dissolution of the euro, and the possible redenomination of the share capital, financial instruments and other contractual obligations from the euro into another currency or the perception that any of these events may be imminent, are difficult to predict and may result in operational disruptions or other risks of contagion to the Company's business and may have an adverse material effect on the business, financial position and operating results of the Company. Moreover, despite the Company's low volume of business in Europe, to the extent that the uncertainty surrounding the economic recovery in Europe continues to adversely affect the state or regional budgets or the demand for environmental services, the Company's business and operating results may be adversely affected. In this regard, a large number of the Company's customers are implementing measures aimed at cost savings. These and other factors could, therefore, entail that the Company's customers will reduce their spending budgets for Abengoa's products and services.

As noted earlier, global capital and credit markets have experienced periods of extreme volatility and disruption since the latter half of 2008. Continued uncertainty and volatility in these markets could limit access to this route of funding for the capital required to operate and develop the business, including access to project finance which the Company uses to finance many of its projects.

The perception of the market in relation to the instability of the euro, a potential return to national currencies in the Eurozone or the complete disappearance of the euro could affect the Company's business

As a result of the credit crisis in Europe, in particular in Greece, Italy, Ireland, Portugal, and Spain, the European Commission created the European Financial Stability Fund ("EFSF") and the European Financial Stability Mechanism ("EFSM") to provide finance to Eurozone countries in financial difficulties that requested this help. Throughout 2012 certain Eurozone countries announced austerity programs and other cost reduction initiatives, and the EFSF was permitted to expand its powers to provide direct finance to certain financial bodies in the Eurozone, including certain Spanish bodies. Furthermore, the European Central Bank ("ECB") has indicated its willingness to take additional measures to support the euro if necessary. In January 2015, the ECB revealed quantitative easing measures to be performed until September 2016, aimed at boosting the economy of the Eurozone and at avoiding deflationary situations. These measures and guidelines have helped, or it is hoped that they will help, to stabilize the euro between 2012 and 2015. There is no certainty that recent disruptions in Europe regarding sovereign debt will not reoccur or that the aid packages will be available again or, even if they were, that they would be sufficient to stabilize the countries and markets affected in Europe or in other areas.

This uncertainty persists in relation to the debt of certain Eurozone countries and regional governments and the solvency of particular European financial entities and their ability to face up to their future financial obligations. The prolonged adverse market conditions have created doubts about the overall stability of the euro and about the suitability of the euro as a single currency given the diverse political and economic circumstances of the member states. These and other concerns could lead to the reintroduction of individual currencies in one or more member states or, in more extreme circumstances, the dissolution of the euro. If the euro were to be dissolved, the legal and contractual consequences for the bearers of obligations denominated in euros would be decided by the laws in place at that time. The transformation of these potential events or the market's perceptions of these questions and others related ones could have a significant adverse effect on the Company's business and financial situation, as a significant amount of the Company's debt is denominated in euros.

Risks derived from a shift in public opinion about Abengoa's activities

There are certain individuals, associations or groups that may oppose the projects carried out by Abengoa, such as the installation of renewable energy plants, due to reasons such as the misuse of water resources, landscape degradation, land use, and damage to the environment.

Although carrying out these infrastructures, engineering and building projects generally requires an environmental impact study and a public consultation process prior to granting the corresponding administrative authorizations, the Company cannot guarantee that a specific project will be accepted by the local population. Moreover, in those areas in which facilities are located next to residential areas, opposition from local residents could lead to the adoption of restrictive rules or measures regarding the facilities.

If part of the population or a particular competing company decides to oppose the construction of a project or takes legal action, this could make it difficult to obtain the corresponding administrative authorizations. In addition, legal action may request the adoption of precautionary measures that force construction to stop, which could cause problems for commissioning the project within the planned time frame causing the non-compliance with Abengoa's business objectives.

Adverse publicity relating to the restructuring or the financial condition of the Group or of other participants in the market(s) in which it operates may have a material adverse effect on the Group's customer and supplier relationships (including with financial and insurance institutions) and/or market perception of its business. Existing suppliers may choose not to do business with the Group, may demand quicker payment terms and/or may not extend normal trade credit. The Group may find it difficult to obtain new or alternative suppliers. Ongoing negative publicity may have a long-term negative effect on the brand names owned or used in the Group.

Risks derived from lawsuits and other legal proceedings

Abengoa is subject to the risk of claims and lawsuits and disciplinary sanctions in the regulatory environment during the ordinary course of its business. The results of the legal and regulatory proceedings are not predictable with certainty. Abengoa is a party to several lawsuits, proceedings, actions and investigations, including in relation to possible anti-competitive practices.

In particular, Abengoa has been sued in certain disputes brought before the United States District Court for the Southern District of New York and the Commercial Court in Seville, on behalf of certain investors of Abengoa, alleging infringement of the securities regulations in the United States and Spain. In addition Abengoa faces a risk of claims and litigation around the restructuring process due to its implementation in several jurisdictions.

Additionally, Abengoa faces a risk of claims and litigations related the restructuring process due to its implementation in several jurisdictions.

The corresponding provisions that Abengoa has been or could be required to register in the Financial statements could be insufficient. Total provisions corresponding to pending legal proceedings up to date amounts €27 million.

In the event that Abengoa were required to pay penalties, fines or damages to a third-party as a result of these legal proceedings, and such penalties, fines or damages were not be covered by the provisions in the accounts, they could, individually or in the aggregate, have a material adverse effect on Dominion's business, financial condition and results of operations. For a detailed description of Abengoa's current legal proceedings.

Risks derived from the exposure of power generation revenues to electricity market prices

In addition to the incentives provided, the income of some of the Abengoa projects partially depends on market prices of electricity sales. Market prices of electricity can be volatile and are affected by several factors, including the cost of raw materials, user demand and, if applicable, the price of greenhouse gas emission allowances.

In some of the jurisdictions in which Abengoa operates, the Company is exposed to compensation schemes involving components based on market prices and regulated incentives. In such jurisdictions, the regulated incentives component may not compensate for fluctuations in the market price component and, consequently, the total compensation could be volatile.

There is no assurance that the market prices shall remain at the levels that allow Abengoa to maintain profit margins and the desired rates of return on investment.

The analysis of whether the IFRIC 12 ruling applies to certain contracts and activities, and determination of the appropriate accounting treatment in the event that it is applicable, involves various complex factors and is influenced by diverse legal and accounting interpretations

Abengoa records certain assets of the concession-type infrastructure business as service concession contracts in accordance with IFRIC 12. The infrastructure that Abengoa records as service concessions according to IFRIC 12 are primarily related to the power transmission lines business, desalination plants and solar thermal power generation plants outside and inside Spain.

The analysis regarding whether or not IFRIC 12 applies to certain contracts and activities includes several complex factors and is significantly affected by legal interpretations of certain contractual arrangements or other terms and conditions with public sector bodies. In particular, the application of IFRIC 12 requires that the party that awards the concession should determine what services the operator using the infrastructure must provide, to whom and at what price, and that it also control any residual interest in the infrastructure at the end of the concession period. When the operator of the infrastructure is also responsible for engineering, procurement and construction of the asset, IFRIC 12 requires separate accounting for revenues and margins associated with the construction activities, which are not eliminated on consolidation even between companies within the same consolidated group, as well as for the consequent operation and maintenance of the infrastructure. In these cases, investment in the infrastructure used in the concession agreement may not be classified as property, plant and equipment

of the operator, but rather should be classified as an intangible asset or financial assets, depending on the nature of the receivables established in the contract.

Therefore, the application of IFRIC 12 requires significant judgment in relation to, among other factors, (i) the identification of certain infrastructures and contracts within the scope of application of IFRIC 12; (ii) an understanding of the nature of the payments in order to determine the classification of the infrastructure as a financial asset or as an intangible asset; and (iii) the time scale and the recognition of revenues from the construction and concessionary business.

Changes in one or more of the factors described above could significantly affect the conclusions of Abengoa on the application of IFRIC 12 and, therefore, the results of its operations and financial position. Consequently, if it is determined that such assets do not fall within the scope of IFRIC 12, the associated revenues and margins obtained by Abengoa during the construction phase of the affected assets might not be recognized in accordance with IFRIC 12 and eliminated on consolidation, leading to a decrease in revenues and profits in the Consolidated Financial Statements of the period, and a reclassification of intangible assets to property, plant and equipment in the consolidated balance sheet. Therefore, if it is determined that these assets no longer fall within the scope of application of IFRIC 12, this would affect the comparability of the operating results of Abengoa and its financial position in the periods in which such determination was made.

The recovery of tax losses depends on obtaining profits in the future, which in turn depends on uncertain estimates

Abengoa assesses the recovery of deferred tax assets on the basis of future taxable profit estimates. These estimates stem from the projections included in the 5-year and 10-year strategic plan prepared by Abengoa and drafted yearly and reviewed twice a year to ensure the accuracy of the assumptions used in their preparation. Based on current estimates, Abengoa expects to generate sufficient taxable income to recover the tax credits. Nevertheless, income may be affected by adverse circumstances that arise during the ordinary course of its business, as well as due to non-recurring extraordinary circumstances. A modification to estimates and assumptions by management may result in the non-recognition of the recoverability of deferred tax assets in the balance sheet of the Company, if indeed it is considered unlikely that no taxable profits against which to offset the deductible temporary differences will be recorded, which will result in the recognition of the tax expense in the Consolidated income statement, although there would be no impact on cash flows.

In relation to the tax loss carryforwards and deductions pending set-off recorded as deferred tax assets, the Company, based on the assessment made, expects to recover these through the projected taxable profit and the tax planning strategy, taking into account in the said assessment the possible reversions of deferred tax liabilities, as well as any limitation established by the tax regulations in force in each tax jurisdiction.

### 4.1.4 Concentración de clientes

During the last years there is no client that contributes more than 10% of revenue

## 4.2. Financial risk management

### 4.2.1. Market risk

Market risk arises when group activities are exposed fundamentally to financial risk derived from changes in foreign exchange rates, interest rates and changes in the fair values of certain raw materials.

To hedge such exposure, Abengoa uses currency forward contracts, options and interest rate swaps as well as future contracts for commodities. The Group does not generally use derivatives for speculative purposes.

- Foreign exchange rate risk: the international activity of the Group generates exposure to foreign exchange rate risk. Foreign exchange rate risk arises when future commercial transactions and assets and liabilities recognized are not denominated in the functional currency of the group company that undertakes the transaction or records the asset or liability. The main exchange rate exposure for the Group relates to the US Dollar against the Euro.

  To control foreign exchange risk, the Group purchases forward exchange contracts. Such contracts are designated as fair-value or cash-flow hedges, as appropriate.

  In the event that the exchange rate of the US Dollar had risen by 10% against the euroas of December 31, 2016, with the rest of the variables remaining constant, the effect in the Consolidated Income Statement would have been a loss of €24,707 thousand (loss of €27,185 thousand on 2015) mainly due to the US Dollar net asset position of the Group in companies with euro as functional currency and an increase of €25 thousand (decrease of €1,649 thousand in 2015) in other reserves as a result of the cash flow hedging effects on highly probable future transactions.

  Details of the financial hedging instruments and foreign currency payments as of December 31, 2016 and 2015 are included in Note 14 to these Consolidated Financial Statements.

- Interest rate risk: arises mainly from financial liabilities at variable interest rates.

  Abengoa actively manages its risks exposure to variations in interest rates associated with its variable interest debt.

  In project debt (see Note 19 of the Notes to the Consolidated Financial Statements), as a general rule, the Company enters into hedging arrangements for at least 80% of the amount and the timeframe of the relevant financing.

In corporate financing (see Note 20 of the Notes to the Consolidated Financial Statements), as a general rule, 80% of the debt is covered throughout the term of the debt. Additionally, Abengoa has issued notes at a fixed interest rate in the last years.

The main interest rate exposure for the Group relates to the variable interest rate with reference to the Euribor.

To control the interest rate risk, the Group primarily uses interest rate swaps and interest rate options (caps and collars), which, in exchange for a fee, offer protection against an increase in interest rates.

In the event that Euribor had risen by 25 basic points as of December 31, 2016, with the rest of the variables remaining constant, the effect in the Consolidated Income Statement would have been a profit of €1,515 thousand (€7,316 thousand in 2015) mainly due to the increase in time value of hedge interest rate options (caps and collars) and an increase of €2,331 (€28,379 thousand in 2015) in other reserves mainly due to the increase in value of hedging interest derivatives (swaps, caps and collars).

A breakdown of the interest rate derivatives as of December 31, 2016 and 2015 is provided in Note 14 of these Notes to the Consolidated Financial Statements.

› Risk of change in commodities prices: arises both through the sale of the Group's products and the purchase of commodities for production processes. The main risk of change in commodities prices for the Group is related to the price of gas and steel (until classified in the Bioenergy operating segment as a discontinued operation, the price of grain, ethanol and sugar constituted a significant risk for the Company).

Aiming to control the risk of change in commodities prices, the Group uses futures and options listed on organized markets, as well as OTC (over-the-counter) contracts with financial institutions, to mitigate the risk of market price fluctuations.

At December 31, 2016 there is not any commodity derivative instrument, therefore, there would not have existed variations in equity or the Consolidated Income Statement as a consequence of changes in prices.

In the event that the grain price had risen by 10% as of December 31, 2015, with the rest of the variables remaining constant, the effect in the Consolidated Income Statement would have been null and a decrease iin other reserves amounted to €1,349 thousand.

A breakdown of the commodity derivative instruments as of December 31, 2016 ad 2015 is included in Note 14 to these Consolidated Financial Statements.

### 4.2.2. Credit risk

The main financial assets exposed to credit risk derived from the failure of the counterparty to meet its obligations are trade and other receivables, current financial investments and cash.

a) Clients and other receivables (see Note 15 of the Notes to the Consolidated Financial Statements).

b) Current financial investments and cash (see Notes 13, 14, 15 and 17 of the Notes to the Consolidated Financial Statements).

› Clients and other receivables: Most receivables relate to clients operating in a range of industries and countries with contracts that require ongoing payments as the project advances; the service is rendered or upon delivery of the product. It is a common practice for the company to reserve the right to cancel the work in the event of a material breach, especially non-payment.

In general, and to mitigate the credit risk, prior to any commercial contract or business agreement, the company policy is that the company holds a firm commitment from a leading financial institution to purchase the receivables through a non-recourse factoring arrangement. Under these agreements, the company pays the bank for assuming the credit risk and also pays interest for the discounted amounts. The Company always assumes the responsibility that the receivables are valid.

Abengoa derecognizes the factored receivables from the Consolidated Statement of Financial Position when all the conditions of IAS 39 for derecognition of assets are met. In other words, an analysis is made to determine whether all risks and rewards of the financial assets have been transferred, comparing the company's exposure, before and after the transfer, to the variability in the amounts and the calendar of net cash flows from the transferred asset. Once the company's exposure to this variability has been eliminated or substantially reduced, the financial asset is transferred.

In general, Abengoa considers that the most significant risk to its operations posed by these assets is the risk of non-collection, since: a) trade receivables may be quantitatively significant during the progress of work performed for a project or service rendered; b) it is not under the company's control. However, the risk of delays in payment is considered negligible in these contracts and generally associated with technical problems, i.e., associated with the technical risks of the service rendered and therefore under the company's control.

In any event, in order to cover those contracts in which there could, theoretically, be a risk of late payment by the client associated with the financial asset, Abengoa has determined that not only must the *de jure* risk of insolvency be covered (bankruptcy, etc.) but the *de facto* risk as well (which arises due to the client's own cash management, without a generalised debt moratorium).

Consequently, if as a result of the individualised assessment of each contract it is concluded that the relevant risk associated with these contracts has been conveyed to the financial institution, the

accounts receivable balance on the consolidated financial statement is derecognised once the rights are assigned to the financial institution in accordance with IAS 39.20.

For further information about the risk of the counterparty of 'Clients and other receivable accounts', in Note 15 there is a disclosure of their credit quality and the ageing of their maturity, as well as the evolution on provisions for receivables for the years ended December 31, 2016 and 2015.

› Financial investments: to control credit risk in financial investments, the Group has established corporate criteria which require that counterparties are always highly rated financial entities and government debt, as well as establishing investing limits with periodic reviews.

Given the above and considering the aging of the main financial assets with exposure to such risk, it is considered that, at the end of the year 2016, no significant amounts in arrears are susceptible to be disclosed in addition to the information required by IFRS 7.

### 4.2.3. Liquidity and central risk

See Section 3. Liquidity and capital resources.

## 4.3. Risk management and internal control

Abengoa is aware of the importance of managing its risks in order to carry out appropriate strategic planning and attain the defined business objectives. To do this, it applies a philosophy formed by a set of shared beliefs and attitudes, which define how risk is considered, starting with the development and implementation of the strategy and ending with the day-to-day activities.

The process of risk management in Abengoa is a continuous cycle based on five key phases:

› Identify

› Evaluate

› Respond

› Monitor

› Report

In each phase, regular and consistent communication is necessary in order to achieve good results. Since it is a continuous cycle, permanent feedback is necessary in order to achieve a constant improvement in the risk management system. These processes are addressed to all the company's risks.

Abengoa's risk management model comprises three core elements:


Those elements are combined to form an integrated system that enables the company to manage risks and controls suitably throughout all levels of the organization.

### a) Common management systems

The common management systems are the internal rules for Abengoa and its business groups and are used to assess and control risk. They represent a common culture for managing Abengoa's businesses, sharing the accumulated knowledge while defining specific criteria and guidelines.

The common management systems include specific procedures for any type of action that could give rise to a risk for the organization, whether financial or non-financial. Furthermore, they are available to all employees in electronic format regardless of their geographical location or role.

The functional heads of each division must verify and certify compliance with these procedures. This annual certification is issued by the Audit Commission in January of the following year.

The systems cover the whole organization at three levels:

- All the business lines and areas of activity.
- All levels of responsibility.
- All kinds of operations.

Common management systems represent a common culture for Abengoa's different businesses and are composed of eleven rules defining how each of the potential risks included in Abengoa's risk model should be managed. Through these systems, the risks and the appropriate way of hedging against them are identified and the control mechanisms defined.

Over recent years, the common management systems have evolved to adapt to the new situations and environments in which Abengoa operates, with the overriding aim of reinforcing risk identification, covering risks and establishing control activities.

## b) Compulsory procedures (COSO)

The compulsory procedures are used to mitigate risks relating to the reliability of the financial information, employing a combined system of procedures and control activities in key areas of the company.

The internal control system of the Group is compulsory assessed annually since 2014, to an independent process performed by external auditors according to the document issued by the CNMV "Internal control over financial information in listed companies" ( SCIIF).

The company has implemented an appropriate internal control system that relies on three tools:

- A description of the company's relevant processes that could impact the financial information to be prepared. In this regard, 55 management processes have been defined and grouped into corporate cycles and common cycles used throughout all the business groups.
- A series of flow charts that provide a visual description of the processes.
- An inventory of the control activities in each process to ensure attainment of the control objectives.

At Abengoa, we have viewed the internal control as an opportunity for improvement and, far from being satisfied with the rules included in the Act, we have tried to develop and improve our own internal control structures, control procedures and the evaluation procedures in place.

This initiative arose in response to the swift expansion experienced by the group in recent years and projected future growth, the aim for us to continue preparing accurate, timely and complete financial reports for our investors.

In order to meet the requirements of COSO, Abengoa's internal control structure has been redefined following a 'Top-Down' approach based on risk analysis.

This risk analysis encompasses a preliminary identification of significant risk areas and an assessment of the company's controls over them, starting with top-level executives - corporate and supervisory controls – then dropping to the operational controls present in each process.

## c) The universal risk model

The universal risk model is the company's chosen methodology for quantifying the risks that compose the risk management system. The objective is to obtain a comprehensive view of them designing an efficient response system aligned with the business objective of the Company.

Abengoa's universal risk model is made up of 20 categories and a total of 56 principal risks for the business. Each category is agrupated in four big areas (financial risks, strategic risks, compliance risks and operations risks).


All model risks are aserred according with two criteria:

- Probability of occurrence: Degree of frequency which is possible to ensure that a particular cause will result an event with negative impact on Abengoa.
- Impact on the Company: Set of negative effects on Abengoa´s strategic objectives.

# 5.- Anticipated future trends of the group

To estimate the outlook for the Group, it is important to take into account the current temporary situation of the Companyin restructuring process.

- Once the Restructuring Agreement is completed and the recapitalization of the Group described in Note 2.1.1.a) of the Notes to the Consolidated Financial Statements , the company will develop the agreed Updated Viability Plan with creditors and investors, which is focused on the traditional business of Engineering and Construction, where the company accumulates more than 75 years of experience. Specifically, this Updated Viability Plan focusses the activity in the energy and environmental industry. This business will be combined, in a balanced manner, with concessional infrastructure projects in sectors where Abengoa has a competitive advantage, mainly of technological kind, which allows a bigger added value projects. Regarding the mentioned Updated Viability Plan, will allow sustainable growing of Abengoa, based on the following five principles:

  1) A multidisciplinary team and a culture and ability of multifunctional work.

  2) Experience in engineering and construction and specially the outstanding strength in business development of high potential growing such as energy and water.

  3) Technology abilities in our target markets, mainly in solar and water energy.

  4) A more efficient organization with more competitive general expenses.

  5) A financial approach adjusted to the current reality in which financial discipline and a rigorous evaluation of financial risks are key milestones.

# 6.- Information on research and development (R&D) activities

Given the situation of Abengoa in restructuring process during 2016 the efforts in R&D+I has been €10 million, a very low amount of investment in technology that has been investing in the last years related to different areas of business in which operates (solar technology, biotechnology, desalination, water treatment and reuse, hydrogen, energy storage and new renewable energies).

# 7.- Adquisition and disposal of treasury shares

7.1. Abengoa, S.A. and its subsidiaries have complied with all legal requirements regarding companies and treasury stock (see Note 8 to this Consolidated Management Report).

7.2. The parent company has not pledged its shares in any type of mercantile transaction or legal business, nor are any Abengoa, S.A. shares held by third parties who could act on its behalf or on behalf of group companies.

7.3. Finally, it should be noted that potential reciprocal shareholdings established with Group companies are temporary and comply with the requirements of the consolidated text of the Spanish Capital Companies Act.

7.4. As of December 31, 2016 treasury stock amounted to 5,662,480 shares (5,662,480 shares in 2015), of which 5,662,480 are class A shares and any are class B shares.

Regarding the operations carried out during the year, the number of treasury stock purchased amounted to zero class A shares and zero class B shares and treasury stock transferred amounted to zero class A shares and zero class B share.

# 8.- Corporate governance

## 8.1. Shareholding structure of the company

### Significant shareholdings

The share capital of Abengoa, S.A. is represented by book entries, managed by Iberclear (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S. A.) at December 31, 2016 totals €1,834.252,65 represented by 941,805,965 shares fully subscribed and paid up, with two separate classes:

- 83,125,831 class A shares with a nominal value of €0.02 each, all in the same class and series, each of which grants the holder a total of 100 voting rights ('Class A Shares').

- 858, 680,134 class B shares with a nominal value of €0.0002 each, all in the same class and series, each of which grants One (1) voting right and which afford its holder economic rights identical to the

economic rights of Class A shares set out in article 8 of Abengoa's bylows ('Class B Shares' and, together with class A shares, 'Shares with Voting Rights').

The shares are represented by book entries and governed by the Stock Market Act and other applicable provisions.

Abengoa's Class A and B shares are officially listed for trading on the Madrid and Barcelona Stock Exchanges and on the Spanish Stock Exchange Interconnection System (Continuous Market). Class A shares have been listed since November 29, 1996 and Class B shares since October 25, 2012. The company files mandatory financial information on a quarterly and half-yearly basis.

The Company announced the voluntary delisting of its Class B shares and American Depositary Shares (ADSs) from the NASDAQ Stock Market and to exclude its class B shares from "Securities and Exchange Commission" (SEC). The ADRs, which correspond to the class B shares, have been quoted in NASDAQ since October 2013. This process is part of the financial restructuring and recapitalization plan of the Company and was completed on April 28, 2016.

In accordance with notifications received by the company and in compliance with reporting requirements to communicate shareholding percentages (voting rights) and the information received from relevant parties, shareholders with a significant holding as of December 31, 2016 are as follows:

| Shareholders | Share % |
|---|---|
| Inversión Corporativa IC, S.A. (*) | 44.71 |
| Finarpisa, S.A. (*) | 5.96 |

(*) Inversión Corporativa Group

On September 30, 2012 the General Shareholders' Meeting approved a capital increase of 430,450,152 Class B shares with a nominal value of €0.01 each reducing its unrestricted reserves, which would be delivered to all shareholders on a proportion of four Class B shares for each owned Class A or B share. Such General Shareholders' Meeting approved a voluntary conversion right to change Class A shares of one euro nominal value (€0.002 nominal value as of December 31, 2015) to Class B shares of €0.01 nominal value (€0.0002 nominal value as of December 31, 2015) during certain pre-established periods until December 31, 2017. After exercising this right and after a capital reduction by means of the nominal value of all the class A shares at 0.98 each at that moment and all Class B shares at 0.0098 each at that moment, agreed by the Extraordinary Shareholders' Meeting of the company in October 10, 2015, a capital reduction by means of the nominal value of the converted shares at the value of €0.0198 per share, with unrestricted reserves credit

With respect to the foregoing, after closing the 16th conversion period dated January 15, 2016, the Company carried out on January 22, 2016, a reduction of capital share by the amount of €898.74 by means of the conversion of 45,391 Class A shares into new Class b shares.

Additionally, after closing the 17th conversion period dated April 15, 2016, the Company carried out on April 19, 2016, a reduction of capital share by the amount of €1,323.91 by means of the conversion of 66,864 Class A shares into new Class b shares.

On the other hand, after closing the 18th conversion period dated July 15, 2016, the Company carried out on July 27, 2016, a reduction of capital share by the amount of €3,314.12 by means of the conversion of 167,380 Class A shares into new Class b shares.

After closing the 19th conversion period dated October 15, 2016, the Company carried out on October 27, 2016, a reduction of capital share by the amount of €1,219.98 by means of the conversion of 61,615 Class A shares into new Class B shares.

Finally, after closing the 20th conversion period dated January 15, 2016, the Company carried out onJanuary 23, 2016, a reduction of capital share by the amount of €1,507.89 by means of the conversion of 76,156 Class A shares into new Class B shares.

On January 4, 2016 a capital increase take place, without preferential subscription right, with the issue of 34,013 Class B shares with a nominal value of €6.80 for the purpose of meeting the conversion requests related to the Convertible Bond €400,000,000 at an interest rate of 6.25% maturing in 2019, issued by the Company on January 2013.

On the other hand, on July 19, 2016, the Company carried out a capital increase, without preferential subscription right as well, for an amount of 40.82 euros of nominal value by means the issuance of 204,081 new Class B shares aiming to attend the conversion applications received in relation to the 400,000,000 euros convertible bond at 6.25% interest rate and maturing on 2019 issued by the Company in January 2013.

Additionally, on October 24, 2016, the Company has carried out a capital increase, without preferential subscription right as well, for an amount of 6.80 euros of nominal value by means the issuance of 34,013 new Class B shares aiming to attend the conversion applications received in relation to the 400,000,000 euros convertible bond at an interest rate of 6.25% interest rate and maturing on 2019 issued by the Company in January 2013.

As a consequence of the mentioned operations, the share capital of Abengoa at the date of February 27, 2017, amounts € 1,832,744.76 represented by 941,805,965 shares fully subscribed and paid, pertaining to two different classes: : 83,049,675 Class A shares and 858,756,290 Class B shares.

The proposed distribution of 2015 of the parent company approved by the General Shareholders 'Meeting in September 30, 2016 has been charged to retained earnings.

With regard to shareholder agreements, Inversión Corporativa IC and Finarpisa, as shareholders of Abengoa, signed an agreement on October 10, 2011, which governs the exercising of their respective rights to vote in Abengoa's general meetings in relation with the proposal, appointment, ratification, reelection or substitution of a director to represent First Reserve Corporation.

Under the terms of this agreement, Inversión Corporativa I.C., S.A. and Finarpisa, S.A. jointly and severally agree to:

(i) vote in favor of the following, through their respective shareholder directors on Abengoa's Board of Directors:

  (a) to appoint as a member of the Board, the candidate proposed to be the investor's nominee pursuant to the co-optation procedure established under the Spanish Capital Companies Act; and

  (b) the proposal to recommend to Abengoa's shareholders the election of any replacement director as the investor's nominee on the Board of Directors, at Abengoa's next general shareholders' meeting;

(ii) vote, at the corresponding general shareholders' meeting of Abengoa, in favor of the appointment of the candidate proposed by the investor to be its nominee on the Board of Directors; and

(iii) while the investor or any of its related companies owns Abengoa Class B shares or any other instrument that is convertible or exchangeable into Abengoa Class B shares issued in accordance with the investment agreement or any other document of the transaction, they may not propose nor request the Board of Directors to recommend to shareholders any modification to the company's bylaws that adversely affects the equality of rights of Class B shares and Class A shares in relation to the distribution of dividends or similar distributions as established in bylaws.

On August 27, 2012, Inversión Corporativa, I.C., S.A. and its subsidiary Finarpisa, S.A. modified the shareholder agreement with the Abengoa shareholder, First Reserve Corporation (which was subject to disclosure to the CNMV by means of the significant event filed on November 9, 2011).

The modification consisted of including a commitment while FRC or any of its related companies own Abengoa Class B shares or any other instrument that is convertible or exchangeable for Abengoa Class B shares issued in accordance with the investment agreement or any other document of the transaction, they may not propose nor request the Board of Directors to recommend to shareholders any modification to the company's bylaws that adversely affects the equal rights of Class B and Class A shares in relation to the distribution of dividends or similar distributions as established in the bylaws'. If this proposal were to be presented by another shareholder, or by the Board of Directors, they will vote against it.

On that date, August 27, 2012, Abengoa, S.A. signed a shareholder agreement with its significant shareholder, Inversión Corporativa, I.C., S.A., through which the latter agreed to the following, directly or indirectly through its subsidiary Finarpisa S.A.:

(i) To vote in favor of the resolutions relating to points 2, 3, 4, 5, 6 and 7 of the agenda of the General Shareholders' Meeting held on September 30, 2012, provided that it had previously verified that these resolutions were approved by the majority of Class A shareholders, excluding Inversión Corporativa;

(ii) Not to exercise its voting rights, except up to a maximum of 55.93% in cases in which, as a result of the exercising of the conversion right of Class A shares into Class B shares that is expected to be included in the company's bylaws, the total percentage of voting rights that it holds of the total voting rights of the company is increased;

(iii) That the percentage represented at any given time by the number of shares with the right to vote that it owns (whether Class A or Class B shares) of the total shares of the company, will not at any time be less than one quarter of the percentage represented by the voting rights that these shares attribute to Inversión Corporativa, in relation to the total voting rights of the company (in other words, that its voting rights cannot exceed four times its financial rights); and that, should this occur, it shall dispose of sufficient Class A shares or shall convert them into Class B shares in order to maintain this ratio.

› On December 23, 2016, the Company announced to the National Exchange Comission by means of relevant fact with number 246416, the conclusion of the agreement signed by Abengoa and the First Reserve Corporation (FRC) on 3 October 2011, given that at that date, FRC held no class B shares in Abengoa or any other securities convertible into class B shares and therefore did not hold any interest in the company's share capital. As a consequence of such agreement, the parallel agreements between FRC and other shareholders to those mentioned, which were subjected to the investment agreement with FCR, lose their condition.

In accordance with Article 30 and following articles of the company's bylaws, there are no limits on the voting rights of shareholders in relation to the number of shares which they hold. The right to attend the shareholders' meeting is limited however to those shareholders that hold 375 Class A or Class B shares.

Meeting quorum: 25% of the share capital at first call. Any percentage at second call. These are the same percentages as the Capital Companies Act. In those cases stated in Article 194 of the Act (hereinafter the 'LSC'), the quorum is as stated in the Act.

Resolution quorum: by a simple majority vote by those present or represented at the meeting. In those cases stated in Article 194 of the LSC, the quorum is as stated in the Act.

Shareholders' rights: Shareholders have the right to information, in accordance with the applicable legislation; the right to receive the documentation related to the shareholders' meeting, free of charge; the right to vote in proportion to their shareholding, with no maximum limit; the right to attend shareholders' meetings if they hold a minimum of 375 shares; financial rights (to dividends, as and when paid, and their share of company's reserves); the right to representation and delegation, grouping and the right to undertake legal actions attributable to shareholders. The Extraordinary General Shareholders' Meeting approved a series of amendments to the bylaws in order to ensure that the 'rights of minority interests' are not infringed by the existence of two different share classes with different par values in which the lower nominal value of the Class B shares would make it more difficult to achieve the percentages of share capital required to exercise some of the voting and other non-financial rights. The General Meeting therefore agreed to amend Abengoa's bylaws as explained below in order to ensure that all these rights can be exercised based on the number of shares and not the amount of share capital. These rights, such as the right to call a general meeting or to request a shareholder derivative action, require a certain percentage of the share capital to be held in nominal terms (in these cases, 3%).

Measures to promote shareholder participation: making the documentation related to the Shareholders' Meeting available to shareholders free of charge, as well as publishing announcements of Shareholders' Meetings on the company's website. The option to grant a proxy vote or to vote on an absentee basis is possible by completing accredited attendance cards. In accordance with Article 539.2 of the Capital Companies Act, Abengoa has approved the Regulation on the Shareholders' Electronic Forum in order to facilitate communication between shareholders regarding the calling and holding of each General Shareholders' Meeting. Prior to each general meeting, shareholders:

- Representing at least 3 percent of the share capital or 3 percent of the voting shares, may send proposals that they intend to submit as supplementary points to the agenda published in the notice of the general meeting.
- May send initiatives to achieve the required percentage to exercise a minority right.
- May send requests for voluntary representation

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

Proposals of resolutions to be submitted to the Shareholders' Meeting are published along with notice of the meeting on the websites of the company and the CNMV.

Points on the agenda that are significantly independent are voted upon separately by the Shareholders' Meeting, so that voters may exercise their voting preferences separately especially when it concerns the appointment or ratification of directors or amendments to the bylaws.

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

There are currently no agreements in effect between the company and its directors, managers or employees that entitle them to severance pay or benefits if they resign or are wrongfully dismissed, or if the employment relationship comes to an end due to a public tender offer. There is only expected the compensation payment in the event of termination of its executive functions which, in that case, could perform as detailed:

The executive chairman contract establish on his favour the right to receive a compensation amounted to two annual fix salary and variable in the event of termination of its contract, except when this termination is voluntary death or incapability of Director, then, as a consequence of serious breach of its contractual obligations. When voluntary, the resignation should be communicated with at least, trhee moths in advance, compensating the company if any breach with a equivalent amount of its fix and variable remuneration of the proportional part of the period of breach. If the compensation for early termination of the contract were recognized, one of the two annuities will be set as received as compensation for Non-competence agreement.

## Treasury stock

At the Ordinary General Shareholders' Meeting on March 29, 2015, it was agreed to authorize the Board of Directors to acquire the company's treasury stock in the secondary market, directly or through subsidiaries or investee companies, up to the limit stipulated in the current provisions, at a price of between one euro cent (€0.01) and twenty euros (€20) per share, and with express authority to appoint any of its members, being able to do so during a period of 18 months as of the above date and subject to Article 144 and subsequent articles of the Capital Companies Act.

The authorization granted to the Board of Directors for these purposes by the resolution adopted by the General Shareholders' Meeting of April 6, 2014 is hereby expressly annulled.

On November 19, 2007, the company entered into a liquidity agreement for Class A shares with Santander Investment Bolsa, S.V. On January 8, 2013, the company entered into a liquidity agreement for Class A shares with Santander Investment Bolsa, S.V., replacing the initial agreement, in compliance with the conditions established in CNMV Circular 3/2007 of 19 December. This liquidity contract was effective suspended on September 28, 2015. On November 8, 2012, the company entered into a liquidity agreement for Class B shares with Santander Investment Bolsa, S.V. in compliance with the conditions established in CNMV Circular 3/2007 of 19 December. This liquidity contract was effective suspended on April 21, 2015.

All the purchases and sales of the company's treasury stock were carried out under the aforementioned liquidity agreements. During 2016, no treasuty stock operations have been performed.

## Details of the latest Shareholders' Meetings

Abengoa's Ordinary General Shareholders' Meeting was held at second call on June 30, 2016, with a total of 861 shareholders present or represented, 4,925,363,405 votes (once included votes corresponding to treasury stock in accordance with what is stated in article 148 "Ley de Sociedades de Capital") and 53.573% of the company's share capital (59.732% including treasury shares). The following resolutions were passed by the meeting:

Resolution Two.- Annual accounts and management of the Board of Directors:

2.1. Examination and approval, as appropriate, of the individual annual financial statements (balance sheet, income statement, statement of changes in equity, the statement of cash flows and explanatory notes) and the individual management report corresponding to 2015 and the consolidated annual financial statements (consolidated statements of financial position, consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated cash flow statements and notes to the Consolidated Financial Statements) and consolidated management report corresponding to 2015 of its consolidated group..

2.2 Examination and approval, as the case may be, of the proposal to apply the 2015 Financial Year Outcome of the individual annual Financial statements of the Company.

2.3 Examination and approval as appropriate, of the Management of the Company by the Board of Directors during the aforementioned 2015.

Resolution Three.- Setting of the number of members of the Board of Directors. Ratification and appointment of directors.

3.1 Setting of the number of members of the Board of Directors

3.2 Ratification and appointment of Mr. Fernández de Piérola Marín

3.3 Re-election of Mr. Ricardo Martínez Rico

3.4. Re-election of Ms. Alicia Velarde Valiente

3.5 Ratification and appointment of Inayaba, S.L. and its representative Ms. Ana Abaurrea Aya ex. Art. 529 decies 7 LSC

Resolution Four.- Re-selection of Deloitte, S.L. as the Company's and its consolidated group's Accounts Auditor for the 2016 financial year.

Resolution Five.- Submission of the Annual Report on the Remuneration of Abengoa's Directors for approval, on a consultation basis.

Resolution six,- Approval of a period of fifteen days to call an Extraordinary General Shareholders´ Meeting in accordance with the article 515 of "Ley de Sociedades de Capital"

Resolution Seven.- Information to the shareholders at the General Shareholders' Meeting of the amendments approved by the Board of Directors to the Regulations thereof.

Resolution Eight.- Delegation of powers to the Board of Directors for the interpretation, correction, implementation, formalization and registration of the resolutions adopted.

Resolution Nine.- Dismissal of the director Mr. Javier Benjumea Llorente.

In relation to the votes of the aforementioned resolutions:

- In the Resolution 2.1, a total of 4,925,363,405 valid votes were cast, corresponding to 270,452,210 shares, which represent 53.573% of the share capital, with a total of 4,918,490,881 votes in favor, 6,257,270 against and 615,254 abstaining.
- In the Resolution 2.2, a total of 4,925,363,405 valid votes were cast, corresponding to 270,452,210 shares, which represent 53.573% of the share capital, with a total of 4,918,462,881 votes in favor, 6,257,270 against and 643,254 abstaining.
- In the Resolution 2.3, a total of 4,925,363,405 valid votes were cast, corresponding to 270,452,210 shares, which represent 53.573% of the share capital, with a total of 4,892,794,129 votes in favor, 31,980,922 against and 588,354 abstaining.
- In the Resolution 3.1, a total of 4,925,363,405 valid votes were cast, corresponding to 270,452,210 shares, which represent 53.573% of the share capital, with a total of 4,920,711,236 votes in favor, 3,986,955 against and 665,214 abstaining.
- In the Resolution 3.2, a total of 4,925,363,405 valid votes were cast, corresponding to 270,452,210 shares, which represent 53.573%of the share capital, with a total of 4,920,723,961 votes in favor, 4,148,444 against and 491,000 abstaining.
- In the Resolution 3.3, a total of 4,925,363,405 valid votes were cast, corresponding to 270,452,210 shares, which represent 53.573%of the share capital, with a total of 4,847,299,567 votes in favor, 77,572,838 against and 491,000 abstaining.

- In the Resolution 3.4, a total of 4,925,363,405 valid votes were cast, corresponding to 270,452,210 shares, which represent 53.573% of the share capital, with a total of 4,919,991,992 votes in favor, 4,880,412 against and 491,001 abstaining.
- In the Resolution 3.5, a total of 4,925,363,405 valid votes were cast, corresponding to 270,452,210 shares, which represent 53.573% of the share capital, with a total of de 4,855,964,231 votes in favor, 68,855,674 against and 543,500 abstaining.
- In the Resolution 4, a total of 4,925,363,405 valid votes were cast, corresponding to 270,452,210 shares, which represent 53.573% of the share capital, with a total of 4,853,538,736 votes in favor, 71,333,668 against and 491,001 abstaining.
- In the Resolution 5, a total of 4,925,363,405 valid votes were cast, corresponding to 270,452,210 shares, which represent 53.573% of the share capital, with a total of 4,834,923,576 votes in favor, 89,796,575 against and 643,254 abstaining.
- Resolution 6 was not voted given the lack of quorum.
- Resolution 7 had informational purpose and was not subjected to votations.
- In the Resolution 8 a total of 4,925,363,405 valid votes were cast, corresponding to 270,452,210 shares, which represent 53.573% of the share capital, with a total of 4,920,778,290 votes in favor, 4,579,115 against and 6,000 abstaining.
- In the Resolution 9 a total of 4,925,363,405 valid votes were cast, corresponding to 270,452,210 shares, which represent 53.573%of the share capital, with a total of 4,784,685,540 votes in favor, 79,856,633 against and 60,821,232 abstaining.

Abengoa's Extraordinary General Shareholders' Meeting was held at second call on November 22, 2016, with a total of 697 shareholders present or represented, representing 4,779,189,826 (after excluding the votes attached to own shares in accordance with the provisions of Article 148 of the Capital Companies Act) votes and 52.110% of the company's share capital (58.285% including treasury shares). The following resolutions were passed by the meeting:

One. The provision of essential assets to "Abengoa Abenewco 2, S.A.U." and the subsequent provision of the same by "Abengoa Abenewco 2, S.A.U." to "Abengoa Abenewco 1, S.A.U." Delegating the necessary powers to the Board to carry out this provision.

Two. The increase of the capital stock in order to build up the Company's funds to a specific amount pursuant to the terms of this agreement by issuing and circulating new class A shares, each with a par value of 0.02 euro, and new class B shares, each with a par value of 0.0002 euro (in the same proportion as the class A and class B shares issued and in circulation on the date when the Board of Directors executed this agreement proposal), to be paid out by credit offset on the likelihood that not all shares will be sold. Delegating the necessary powers to the Board, allowing for the substitution of powers, to carry out the agreement and to establish the conditions for the capital stock increase in all aspects not covered by the General Shareholders' Meeting, pursuant to the provisions of Article 297.1.(a) of the Spanish Corporate Enterprise Law, and to amend the wording of Article 6 of the Bylaws. The agreement shall be executed only in compliance with certain conditions precedent concerning the execution of the Company's financial restructuring process.

Three. The issuance by the Company of a guarantee concerning the obligations undertaken by certain of its subsidiaries regarding the issuance of debt securities and loans to be agreed on in the future pursuant to the Restructuring Agreement.

Four. The issuance of warrants in favor of Company shareholders which carry the right to acquire new class A or class B shares, the terms and conditions of which shall be delegated to the Board of Directors when not established at the General Shareholders' Meeting. Increasing the Company's capital stock in the amount necessary to cover the exercise of the rights carried by the warrants, delegating the power to carry out the capital stock increase that was agreed upon on one or more occasions to the Board of Directors, as required by the exercise of these rights.

Six. The resignation of directors Establishing the number of members on the Board of Directors. Appointing directors

6.1 The resignation of directors

6.2 Establishing the number of members on the Board of Directors.

6.3 The appointment of Mr. Gonzalo Urquijo Fernández de Araoz.

6.4 The appointment of Mr. Manuel Castro Aladro.

6.5 The appointment of Mr. José Luis del Valle Doblado.

6.6 The appointment of Mr. José Wahnon Levy.

6.7 The appointment of Mr. Ramón Sotomayor Jáuregui.

6.8 The appointment of Mr. Javier Targhetta Roza.

6.9 The appointment of Ms. Pilar Cavero Mestre.

6.10 The effectiveness and enforcement of prior agreements.

Seven. Amending the Company Bylaws Approving the revised text of the Company Bylaws.

7.1 The amendment of Articles 39, 40, 41 and 48 of the Bylaws.

7.2 Amending Articles 24 and 25 as well as sections 2.(a), 2.(c).(iv) and 3.(a) of Article 44 bis and removing section 4 of Article 44 bis from the Bylaws.

7.3 Approval of a revised text of the Bylaws that incorporates the approved amendments.

7.4 Legal force of this agreement.

Eight. Modification of the Regulations of the Shareholders' Meeting of Abengoa, S.A. in order to introduce the necessary amendments to adapt the content of these Regulations to the circumstances resulting from the draft agreement corresponding to item five of its agenda for the Extraordinary Shareholders' Meeting and t introduce new legislation.

8.1 Amending articles 6, 7, 8, 9, 12, 14 and 19 of the Regulations of the Shareholders' Meeting of Abengoa, S.A.

8.2 Passing the revised Regulations for Operation of the Abengoa General Shareholders' Meetings.

8.3 Legal force of this agreement

Ten. The reversal of the instructions made to the Board of Directors to limit the number of capex commitments.

Eleven. The delegation of powers to the Board of Directors to interpret, rectify, carry out, execute and record the agreements that are adopted.

Resolution five of the agenda relating to the unification of the two classes of shares was not voted because the necessary quorum had not been reached and the ninth item on the agenda was for information purposes. In relation to the votes of the aforementioned resolutions:

- In the Resolution 1, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,775,110,885 votes in favor, 2,815,623 against and 263,318 abstaining.
- In the Resolution 2, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,771,683,643 votes in favor, 6,541,663 against and 964,520 abstaining.
- In the Resolution 3, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,772,730,992 votes in favor, 4,532,955 against and 1,925,879 abstaining.
- In the Resolution 4, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,774,256,267votes in favor, 164,610 against and 1,768,949 abstaining.
- In the Resolution 6.1, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,774,890,173 votes in favor, 295,125 against and 4.004,528 abstaining.
- In the Resolution 6.2, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,774,832,528 votes in favor, 335,976 against and 4,021,322 abstaining.
- In the Resolution 6.3, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,774,724,857 votes in favor, 315,167 against and 4,149,802 abstaining.
- In the Resolution 6.4, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,774,374,858 votes in favor, 315,166 against and 4,499,802 abstaining.
- In the Resolution 6.5, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,774,374,858 votes in favor, 315,166 against and 4,499,802 abstaining.
- In the Resolution 6.6, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,774,374,858 votes in favor, 315,166 against and 4,499,802 abstaining.
- In the Resolution 6.7, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,774,374,858 votes in favor, 315,166 against and 4,499,802 abstaining.
- In the Resolution 6.8, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,774,374,858 votes in favor, 315,166 against and 4,499,802 abstaining.
- In the Resolution 6.9, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,774,374,858 votes in favor, 315,166 against and 4,499,802 abstaining.

- In the Resolution 6.10, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,774,328,256 votes in favor, 302,372 against and 4,559,198 abstaining.
- In the Resolution 7.1, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,773,764,130 votes in favor, 2,802,725 against and 2,622,971 abstaining.
- In the Resolution 7.2, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,773,764,130 votes in favor, 2,885,953 against and 2,539,743 abstaining.
- In the Resolution 7.3, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,774,494,734 votes in favor, 2,732,725 against and 1,962,367 abstaining.
- In the Resolution 7.4, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,774,153,404 votes in favor, 2,732,725 against and 2,303,697 abstaining.
- In the Resolution 8.1, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,773,855,134 votes in favor, 3,302,225 against and 2,032,467 abstaining.
- In the Resolution 8.2, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,773,855,134 votes in favor, 3,232,225 against and 1,831,467 abstaining.
- In the Resolution 8.3, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,774,068,928 votes in favor, 3,232,225 against and 1,888,673 abstaining.
- In the Resolution 10, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,773,595,734 votes in favor, 3,234,247 against and 2,359,845 abstaining.
- In the Resolution 11, a total of 4,779,189,826 valid votes were cast, corresponding to 144,371,275 shares, which represent 52.110% of the share capital, with a total of 4,774,320,756 votes in favor, 3,046,225 against and 1,822,845 abstaining.

As of December 31, 2016, the only Director who was a member of the board of directors of another listed company was Mr Gonzalo Urquijo Fernández de Araoz, who was Director of Vocento, S.A. and Mr. José Luis del Valle Doblado who was Chairman of Lar España Real Estate SOCIMI, S.A..

In accordance with the register of significant shareholdings that the company maintains, pursuant to the internal code of conduct in relation to the stock market, the percentage shareholdings of the directors in the capital of the company as at December 31, 2016 were as follows:

| | No. of direct class A shares | No. of indirect class A shares | No. of direct class B shares | No. of indirect class B shares | % Total |
|---|---|---|---|---|---|
| Gonzalo Urquijo Fernández de Araoz | - | - | - | - | - |
| Manuel Castro Aladro | - | - | - | - | - |
| José Wahnon Levy | - | - | - | - | - |
| Pilar Cavero Mestre | - | - | - | - | - |
| Javier Targhetta Roza | - | - | - | - | - |
| Ramón Sotomayor Jáuregui | - | - | - | - | - |
| José Luis del Valle Doblado | - | - | - | - | - |

# 8.2. Company management structure

## The Board of Directors

- Composition: number and identity

Following changes to Article 39 the company's bylaws, as agreed by the Ordinary Shareholders' Meeting held on April 15, 2007, the maximum number of members of the Board of Directors was set at fifteen, compared to nine established until that time. The Ordinary General Shareholders' Meeting of April 6, 2014, also agreed to once again amend Article 39 of the bylaws, setting the maximum number of members of the board of directors at 16. These modifications reinforced the structure of the Board with a number of directors that allows a more diversified composition as well as facilitating the delegation and adoption of resolutions with minimal attendance, thereby ensuring a multiple and plural presence in the Board of Directors.

| | |
|---|---|
| Maximum number of Board Members | 16 |
| Minimum number of Board Members | 3 |

In accordance with the recommendations established in the Unified Code of Good Governance of Listed Companies, which have been already subject to regulation by Law 31/2014, December 3, the composition of the Board reflects the capital structure. This enables the Board to represent the highest possible percentage of the capital in a stable way and ensures protection of the general interests of the company and its shareholders. The Board is provided, moreover, with a degree of independence in accordance with the practices and professional needs of any company. Its current composition as of December 31, 2016 was the following:

| | |
|---|---|
| Gonzalo Urquijo Fernández de Araoz | Executive President |
| Manuel Castro Aladro | Independent |
| | Coordinating Director |
| | Member of the Audit Committee |
| José Wahnon Levy | Independent |
| | Chairman of the Audit Committee |
| Pilar Cavero Mestre | Independent |
| | Chairwoman of the Appointments and Remuneration Committee |
| José Luis del Valle Doblado | Independent |
| | Member of the Audit Committee |
| Javier Targhetta Roza(1) | Independent |
| | Member of the Appointments and Remuneration Committee |
| Ramón Sotomayor Jáuregui | Independent |
| | Member of the Appointments and Remuneration Committee |

**(1) D. Javier Targhetta Roza resigned as a member of the Board of Directors on January 26, 2017. On February 22, 2017, the Board of Directors appointed Mr. José Luis del Valle Doblado as member of the Appointment and Remuneration Commission.**

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

Notwithstanding the fact that independence is a condition that must be common to any director, irrespective of the director's origin or appointment, based on the reliability, integrity and professionalism of his or her role, in accordance with the guidelines included under Law 26/2003, in Ministerial Order 3722/2003 and in the Code of Good Governance of Listed Companies and more recently in Law 31/2014, the classification of current directors as stated on the previous table.As may be seen in the table above, the Board is only made up of external, non-executive directors.

› Organizational and functional rules

The Board of Directors is governed by the Regulations of the Board, the company's bylaws and by the Internal Code of Conduct on Stock Exchange Matters. The Regulations of the Board were initially approved by the Board at a meeting on January 18, 1998, clearly in anticipation of the current rules of good governance and efficient internal control. The most significant recent update of note took place November 22, 2016.

› Structure:

The Board of Directors is currently made up of 7 members. The Regulations of the Board cover the composition of the Board, the functions and its internal organization; additionally, there is the Internal Code of Conduct on Stock Exchange Matters, the scope of which covers the Board of Directors, senior management and all those employees who, due to their skills or roles, are also impacted by its content. The Regulations of the Functioning of Shareholders' Meetings cover the formal aspects and other aspects of Shareholders' Meetings. Finally, the Board is supported by the Audit Commission and the Appointments and Remuneration Commission , which in turn are subject to their own respective internal regulations. All these regulations, included within the revised Internal Regulations on Corporate Governance are available on the company's website, www.abengoa.es/com.

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

Finally, in October 2007 the Committee proposed to the Board to accept the resignation of Mr. Javier Benjumea Llorente as Vice-chairman, along with the revoking of any powers which had been granted in those entities or companies in which he held a position of responsibility, and the naming of a new representative of Abengoa and the Focus-Abengoa Foundation.

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

As a result, the Committee considered it necessary that the Vice-chairman of Abengoa hold the powers as per the Spanish Public Limited Companies Act so that, on the one hand, he or she is granted full representation of the company and to counter-balance the functions of the chairman of the board. On this basis it was considered that the Coordination Director – in accordance with the responsibilities as assigned to the role by the Board of Directors (February 2007) and at the Shareholders' Meeting (April 2007) – was ideal for the role, in addressing the corporate governance recommendations and the structure of the company, as well as the composition and diversity of the directors. The Coordination Director already has the duty to take into account the concerns and goals of the board members and, to achieve this, has the power to call Board meetings and to add items to the agenda. As this role was more in substance than in title, considering the interests of the directors, and conveyed a certain representation of the Board, it was considered appropriate to expand and recognize this representation making it institutional and organic.

As of December 31, 2016 the Coordinating Director was Manuel Castro Aladro.

The Chairman of the Board, which has an executive role, does not have granted the faculties but has the general power which must be exercised jointly with another member of the senior management.

› Functions:

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

› Appointments:

The Shareholders' Meeting, or when applicable the Board of Directors, within the established rules and regulations, is the competent body for appointing members of the Board a proposal, if any, of the Appointments and Remuneration Committee. Only those people that fulfill the legally established requirements may be appointed, as well as being trustworthy and holding the knowledge, prestige and sufficient professional references to undertake the functions of director.

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

› Dismissals:

Directors will be removed from their position at the end of their tenure or under any other circumstances in accordance with the appropriate laws. Furthermore, they should relinquish their role as directors in the event of any incompatibility, prohibition, serious sanctions or failure to fulfill their obligations as directors.

› Meeting:

In accordance with Article 42 of the company bylaws, the Board of Directors will meet as deemed necessary given the demands of the company or, at least once a quarter and the cases determined by regulations of the Board of Directors. During 2016, the Board met a total of 32 times

› Duties of the Directors:

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

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

- Be informed and appropriately prepare for each working session.
- Attend and actively participate in meetings and decision making.
- Carry out any specific task entrusted by the board of directors.
- Encourage people with the authority to call meetings, to call extraordinary meetings of the board or include the issues that they deem relevant on the agenda of the next meeting to be held.
- Avoid conflicts of interest from arising and, if appropriate, report their existence to the board via its secretary.
- Do not hold positions in competing companies.
- Do not use company information for personal ends.
- Do not use company assets inappropriately.

- Do not use company business opportunities for personal ends.
- Keep all information that results from your position confidential.
- Abstain from voting on budget issues that affect them.
- Disclose any direct or indirect interests in the company's securities or derivatives.
- Actively participate and be committed to the issues being discussed by the board, as well as following up these issues and obtaining the necessary information.
- Do not support resolutions that break the law, the company's bylaws or go against the company's interests. Request the corresponding legal and technical reports, as appropriate.
- Notify the company of any significant changes in your professional circumstances which could affect the characteristics or conditions under which you were appointed as a director, or which may give rise to a conflict of interest.
- Notify the company of all legal or administrative claims, or any other type of claim, which could seriously impact the company's reputation due to their significance.

› The Chairman:

The Chairman, has the company bylaws and legal requirements. The Chairman is responsible for implementing the decisions made by the company's management bodies, through application of the powers as permanently granted to him by the Board of Directors, which he represents in all aspects. The Chairman also casts the deciding vote in the Board of Directors.

The Chairman is not also the Chief Executive Officer. However, the internal policy of the Company set the measures are in place to prevent an accumulation of power.

Under Article 44 bis of the company bylaws, on December 2, 2002 and 24 February 2003 the Board of Directors agreed to appoint the Audit Commission and the Appointments and Remuneration Commission.

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

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

› The Secretary:

The Secretary to the Board of Directors undertakes those responsibilities as required by law.

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

› Resolutions:

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

› Remuneration and other benefits

› Remuneration:

Directors are remunerated as established in article 39 of the Bylaws. The remuneration of Directors is made up of a fixed amount as agreed upon at the General Shareholders' Meeting, and is not necessarily equal for all directors. Travel expenses related to work undertaken by the board are reimbursed to Directors. Salary (both fixed and variable) and allowances paid to the members of the Board of Abengoa S.A. in 2016 were €2.780,8 thousand (€32.193 thousand in 2015).

Detail of individual remuneration and benefits in 2016 paid to the Board of Directors (in thousands of euros):

| Name | Salary | Fixed remuneration | Daily allowance | Short term variable remuneration | Compensation as member of Board Committee | Compensation as officer of other Group companies | Other concepts | Total 2015 |
|---|---|---|---|---|---|---|---|---|
| Santiago Seage Medela | 543 | - | 51 | - | - | - | - | 594 |
| Javier Benjumea Llorente | 60 | - | 51 | - | - | - | - | 111 |
| José Borrell Fontelles | - | - | 145 | - | 40 | - | - | 185 |
| Mercedes Gracia Díez | - | - | 145 | - | 40 | - | - | 185 |
| Ricardo Martínez Rico | - | - | 100 | - | - | - | - | 100 |
| Alicia Velarde Valiente | - | - | 136 | - | 40 | - | - | 176 |
| Ricardo Hausmann | - | - | 229 | - | - | - | - | 229 |
| José Joaquín Abaurre Llorente | - | - | 100 | - | - | - | - | 100 |
| José Luis Aya Abaurre | - | - | 20 | - | - | - | - | 20 |
| Inayaba, S.L. | - | - | 80 | - | - | - | - | 80 |
| Claudi Santiago Ponsa | - | - | N/A | - | - | - | - | N/A |
| Ignacio Solís Guardiola | - | - | 71 | - | - | - | - | 71 |
| Antonio Fornieles Melero | 509 | - | 29 | - | 10 | - | - | 548 |
| José Domínguez Abascal | 119 | - | - | - | - | - | - | 119 |
| Joaquín Fernández de Piérola Marín | 571 | - | - | - | - | - | - | 571 |
| Gonzalo Urquijo Fernández de Araoz | 108 | - | 16 | - | - | - | - | 124 |
| Manuel Castro Aladro | - | - | 16 | - | 3 | - | - | 19 |
| José Wahnon Levy | - | - | 16 | - | 5 | - | - | 21 |
| Pilar Cavero Mestre | - | - | 16 | - | 10 | - | - | 26 |
| José Luis del Valle Doblado | - | - | 16 | - | 3 | - | - | 19 |
| Javier Targhetta Roza | - | - | 16 | - | 5 | - | - | 21 |
| Ramón Sotomayor Jáuregui | - | - | 16 | - | 5 | - | - | 21 |
| **Total** | **1,368** | **-** | **1,253** | **-** | **160** | **-** | **-** | **2,782** |

Additionally, in 2016 overall remuneration for key management of the company (Senior Management which are not executive directors), including both fixed and variable components, amounted to €2.348 thousand (€7.163 thousand in 2015).

For more information on the Corporate Governance Report, the appendix of this Management Report contains the complete version.

# 9.- Appointments and remuneration committee

The Appointments and Remuneration Committee was created by the board of directors of Abengoa, S.A. (hereinafter, the 'Company') on February 24, 2003, under Article 28 of the board of directors regulations, in order to incorporate the recommendations relating to appointments and remuneration committees in Law 44/2002 of November 22 on financial system reform measures. This meeting of the board of directors also approved the Committee's internal regulations.

At present the Appointments and Remuneration Committee is governed by the consolidated text of the Capital Companies Act, approved by Legislative Royal Decree 1/2010 of July 2 (hereinafter, the 'Capital Companies Act'), which are reflected in Abengoa's bylaws, the board of directors regulations and the internal regulations of the Appointments and Remuneration Committee.

## Composition

The Committee has the following composition at the end of 2016:

| | |
|---|---|
| - Pilar Cavero Mestre | Chairwoman. Independent director. |
| - Javier Targhetta Roza | Member. Independent director. |
| - Ramón Sotomayor Jáuregui | Member. Independent director. |
| - Juan Miguel Goenechea | Non-director Secretary |

Notwithstanding the aforementioned, after the end of 2016, on January 27, 2017, the Board of Directors accepted the dismissal presented by Mr, Javier Targhetta Roza due to personal reasons.

All its members were designed as a member of the Committee by the meeting of the board of directors of Abengoa, S.A. held on November 22, 2016, after the dismissal in the same date of the former members Mr. Borrell Fontelles, Gracia Diez y Velarde Valiente, and Mrs Cavero Mestre were elected as its chairman at the meeting. The secretary was appointed by the Board of Directors at the same meeting.

As a result, the Appointments and Remuneration Committee comprises three independent directors with the chairman of the Committee appointed from among them, in accordance with the requirements of the Capital Companies Act. Article 2 of the Committee's internal regulations also requires the chairman to be an independent director.

## Duties and responsibilities

The Appointments and Remuneration Committee is responsible for the following:

1. Evaluate the skills, knowledge and experience required to be a member of Abengoa's board of directors. The Committee will define the functions and skills required by candidates for each vacancy and assess the time and dedication required for the role to be performed correctly.
2. Establish a representation target for the under-represented gender on the board of directors and prepare guidelines on how to achieve this goal.
3. Submit proposals to the board of directors to appoint independent directors so that they may be appointed by co-optation or for the decision to be submitted to the General Shareholders' Meeting, as well as proposals for re-elections or departures also to be submitted to the General Shareholders' Meeting.
4. Propose appointments of the remaining directors so that they may be appointed by co-optation or for the decision to be submitted to the General Shareholders' Meeting, as well as proposals for re-elections or departures also to be submitted to the General Shareholders' Meeting.
5. Annually verify that the original conditions underlying the appointment of directors continue to apply, including the characteristics and type of directorship applicable to each board member, all of which should be included in the annual report.
6. Report any proposals to appoint or dismiss senior management members and the basic conditions of their contracts.
7. Analyze and organize the succession of the chairman of the board of directors and the Company's CEO, and make proposals to the board of directors so that this succession occurs in an organized and planned way, as appropriate.
8. Propose to the board of directors the remuneration policy for directors and general managers or those people that perform the senior management functions reporting directly to the Board; members of executive committees; and CEOs, as well as the individual remuneration and other contractual conditions of executive directors, ensuring that these conditions are fulfilled.
9. Organize and supervise the annual performance appraisal of the board of directors and its committees, and propose an action plan to correct any deficiencies identified depending on the results obtained.
10. Prepare an annual report on the activities of the Appointments and Remuneration Committee, which must be included in the management report.

## Meetings and calling of meetings

To fulfill the aforementioned duties, the Appointments and Remuneration Committee will meet when necessary and at least once every six months. It will also meet whenever the chairman calls a meeting, although a valid meeting may also be called when all of its members are present and they agree to hold a meeting.

During 2016 the Committee met twelve times. Important issues discussed at these meetings included proposals to appoint or re-appoint members of the board of directors, as well as checking that the original conditions underlying the appointment of directors continue to apply, including the characteristics and type of directorship applicable to each member.

## Quorum

Meetings of the Committee shall be considered as valid when the majority of its members are present. Attendance may only be delegated to other non-executive directors.

The resolutions adopted shall be valid when the majority of the Committee's members, present or represented, vote in favor. In the case of a tie, the chairman shall have the casting vote.

The Company's remuneration manager shall act as Secretary of the Committee at its meetings.

## Analysis, reports and proposals made by the Committee

During 2016 the main resolutions of the Appoitment and Remuneration Comitee has been the following:

- Approval of the senior management remuneration policy.
- Report about the dismissal of the executive chairman D. José Domínguez Abascal.
- Favorable report to Board of Directors about the proposal to appoint Mr. Antonio Fornieles Melero as executive chairman and chairman of the Board of Directors.
- Favorable report to Board of Directors about the proposal to appoint Mr. Joaquín Fernández de Piérola Marín as CEO.
- Favorable report to Board of Directors about the appointment of Inabaya, S.L.represented by Mrs. Ana Abaurrea Aya as weekly assistant replacing Mr. José Luis Aya Abaurre.
- Favorable report to Board of Directors about the proposal to appoint Mrs. Alicia Velarde Valiente second Vice-president of the Board of Directors.

- Favorable report to Board of Directors about the proposal to appoint Mr. Joaquín Fernández de Piérola Marín first Vice-president of the Board of Directors.
- Proposal over the mercantile contracts of the executive chairman Mr Antonio Fornieles Melero and the CEO MR. Joaquín Fernández de Piérola Marín.
- Favorable report over the annual report of remunerations of Directors.
- Approval of the annual report of the Appointments and Remuneration Commission
- Submission of the results of the annual performance appraisal of the Board of Directors and its committees to the Board of Directors, for its approval.
- Favorable report to Board of Directors about the proposal of Directors recruitment policy.
- Proposal to the Board of Directors, the individual remunerations of the second Vice-president and the coordinating Director.
- Proposal to the Board of Directors the reelection of Mr. Martínez Rico as Independent Director of the Board of Directors.
- Proposal to the Board of Directors the reelection of Mrs. Velarde Valiente as Independent Director of the Board of Directors.
- Favorable report to Board of Directors about the proposal of agreement of the Board of Directors consisting in propose to the General shareholders´Meeting the ratification of the appointment as Directors of Mr.Joaquín Fernández de Piérola Marín and Inayaba S.L. represented by Mrs. Ana Abaurrea Aya
- Proposal to appoint as Directors to Mr. Manuel Castro Aladro, Mr. José Luis del Valle Doblado, Mr. José Wahnon Levy, Mr. Ramón Sotomayor Jauregui, Mr. Javier Targhetta Roza, Mr. Gonzalo Urquijo Fernández de Araoz and Mrs. Pilar Cavero Mestre.
- Proposal to the Board of Directors, of the contract of Mr. Gonzalo Urquijo Fernández de Araoz.
- Proposal to the Board of Directors, for its approval, of basic contractual terms of the Senior Management.
- Report to the Board of Directors about the appointment of the Senior Management (including the new CFO and Strategy Director).
- Proposal to the Board of Directors, of the individual remunerations of the new Directors until the next General Meeting.
- Proposal to the Board of Directors, about the payment of the deferred variable remuneration of 2015.
- Proposal to the Board of Directors, about the recognition of the restructuring bonus.

# 10.- Other relevant information

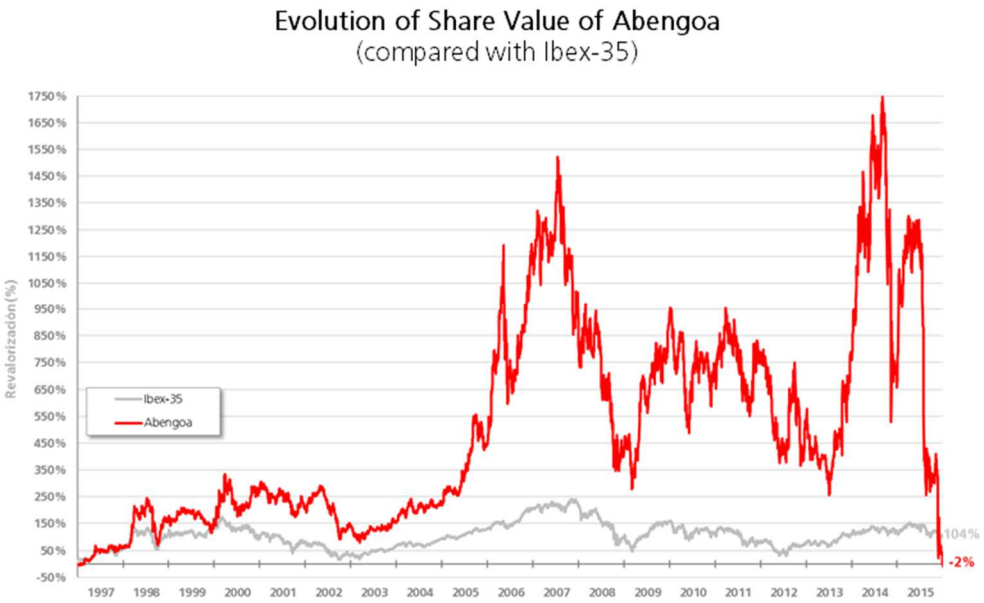
## 10.1. Stock exchange information

According to data provided by Bolsas y Mercados Españoles (BME), in 2016 a total of 156.679.131 Class A shares and 4.963.514.440 Class B shares in the company were traded, equivalent to an average daily trading volume of 609.646 Class A shares and 19.313.286 Class B shares, The average daily traded cash volume was €0.4 million for Class A shares and €4.4 million for Class B shares.

| | A Shares | | B Shares | |
|---|---|---|---|---|
| Share evolution | Total | Daily | Total | Daily |
| Volume (thousands of shares) | 156,679 | 610 | 4,963,514 | 19,313 |
| Volume (M€) | 94.7 | 0.4 | 1,125.3 | 4.4 |

| Quotes | | Data | | Data |
|---|---|---|---|---|
| Last | 0.4010 | 30-dic | 0.1880 | 30-dic |
| Maximun | 1.0000 | 29-mar | 0.4250 | 09-mar |
| Average | 0.6043 | | 0.2266 | |
| Minimun | 0.3380 | 19-ene | 0.1300 | 11-feb |

The last price of Abengoa's shares in 2016 was € 0.40 for Class A shares, some 2% lower than at the end of 2015; and €0.19 per Class B share, 4% lower than the close of 2015.




Since its IPO in the Spanish stock exchange in November 29, 1996, the value of the Company has decreased by 6%. The selective IBEX-35 index has risen by 100% during the same period.

## 10.2 Dividend policy

Abengoa's Board of Directors held on September 23, 2015 approved the suspension of our dividend until Abengoa achieve a credit rating of "BB-"from Standard & Poors or "Ba3" from Moody's or our leverage ratio of Gross Corporate Debt (including bridge loan), as of the most recent balance sheet date which is approved, to Corporate EBITDA for the twelve months immediately preceding such balance sheet date, falls below 3.5x. As long as Abengoa do not reach the aforementioned credit rating or leverage ratio, Abengoa will not distribute dividends to their shareholders.

## 10.3 Management of credit quality

Credit ratings affect the cost and other terms upon which we are able to obtain financing (or refinancing). Rating agencies regularly evaluate us and their ratings of our default rate and existing capital markets debt are based on a number of factors.

As of February 13, 2016 ("Moody´s) reduced the rating of Caa3 to Ca with negative outlook.

On the other hand, the investment services of Standard & Poor´s ("S&P") has not changed its rating during 2016 since they announced on December 16 to SD (Selective default).

## 10.4 Average supplier payment time

In compliance with the duty to report the average period of payment to suppliers stated in article 539 and the eighth additional provision of `Ley de Sociedades de Capital` according to the new composition given by the second final provision of` Ley 31/2014 de reforma de la ley de Sociedades de Capital` the company informs that the average period of payment to suppliers related to all the companies in the Group in Spain has been 254 days.

The following detail required by the article 6 of the January 29, 2016 resolution of the Instituto de Contabilidad y Auditoría de Cuentas, related to the information to be provided about the average period of payment during the year:

| 2016 | Days |
|---|---|
| Average payment period | 254 |
| Paid operations ratio | 139 |
| Pending payments ratio | 352 |

| 2016 | Amount |
|---|---|
| Payments | 720,396 |
| Pending payments | 841,018 |

There is not comparative information in compliance with the additional provision of the mentioned resolution.

## 10.5 Further information

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

In addition to the accounting information, as provided within the financial accounts and within this management report, Abengoa also publishes an 'Annual Report' which sets out the key events of 2016. This report is available in Spanish, and English. The Annual Report, which is published prior to the Shareholders' Meeting at which the Financial statements of 2016 will be approved, includes not only the consolidated accounts of Abengoa, as well as the strategic objectives of the business and the key events of the three Business Units into which Abengoa is structured as of December 31, 2016.

The annual report is available on the company's website at www.abengoa.com.

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

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

## 10.6 Alternative performance measures

Abengoa presents the Income Statement in accordance to the International Financial Reporting Standards (IFRS), however, uses some alternative performance measures (APMs) to provide additional information to assist the comparison and comprehension of the financial information, facilitate decision-making and the assessment of group´s performance.

The most significant APM are the following:

- EBITDA;
  - Definition: operating profit + amortization and charges due to impairments, provisions and amortizations.
  - Reconciliation: the Company presents the EBITDA calculation in Note 2 of the Management´s report and Note 5 to the Consolidated Financial Statements.
  - Explanation of use: EBITDA is considered by the Company as a measure of performance of its activity given that provides an analysis of the operating results (excluding depreciation and amortization, which do not represent cash) as an approximation of the operating cash flows that reflects the cash generating before variations in working capital. Additionally, EBITDA is an indicator widely used by investors when valuing corporations, as well as by rating agencies and creditors to assess the indebtedness comparing EBITDA with net debt.
  - Comparative: the Company presents comparative information with the previous period.
  - Consistency: the standard used to calculate EBITDA is the same than the used the previous year.
- Operating margin;
  - Definition: EBITDA / revenue.
  - Reconciliation: the Company presents the operating margin calculation in Note 2 of the Management´s report.
  - Explanation of use: operating margin is a measure of business profitability itself before the amortization, impairment, financial results and taxes impact. It measures the monetary units earned per units sold.

- Comparative: the Company presents comparative information with the previous period.
- Consistency: the standard used to calculate the operating margin is the same than the used the previous year

- Net corporate debt;
  - Definition: corporate financing – cash and cash equivalents (excluding project companies) – current financial investments (excluding project companies).
  - Reconciliation: the Company presents the net corporate debt calculation in Note 2 of the Management´s report.
  - Explanation of use: net corporate debt is a financial indicator which measures the indebtedness position of a company a corporate level. Additionally, it is an indicator widely used by investors when valuing the financial indebtedness of a company, as well as by rating agencies and creditors when valuing the level of indebtedness.
  - Comparative: the Company presents comparative information with the previous period.
  - Consistency: the standard used to calculate the net corporate debt is the same than the used the previous year.
- Net cash provided by operating activities;
  - Definition: variations in cash arisen as the difference between collections and payments caused by trade transactions in the Group during the period.
  - Reconciliation: the Company presents the Net Cash Provided by Operating Activities calculation in the Cash Flow Statement in the Consolidated Financial Statements and in Note 2 of the Management´s report.
  - Explanation of use: net cash provided by operating activities is a financial indicator which measures the cash generation of business itself during the period.
  - Comparative: the Company presents comparative information with the previous period.
  - Consistency: the standard used to calculate the net cash provided by operating activities is the same than the used the previous year.
- Net cash used in investing activities;
  - Definition: variations in cash arisen as the difference between collections and payments caused by divestment and investment transactions in the Group during the period.
  - Reconciliation: the Company presents the Net Cash Used in Investing Activities calculation in the Cash Flow Statement in the Consolidated Financial Statements and in Note 2of the Management´s report.
  - Explanation of use: net cash used in investing activities is a financial indicator which measures the investing effort of the Company in a period net of divestments in the Company during the period.
  - Comparative: the Company presents comparative information with the previous period.
  - Comparative: the standard used to calculate the Net Cash Used in Investing Activities is the same than the used the previous year
- Net cash provided by financing activities;
  - Definition: variations in cash arisen as the difference between collections and payments caused by financing transactions in the Group during the period.
  - Reconciliation: the Company presents the Net Cash Provided by Financing Activities calculation in the Cash Flow Statement in the Consolidated Financial Statements and in Note 2 of the Management´s report.
  - Explanation of use: net cash provided by financing activities is a financial indicator which measures both the cash generated from new financing closed during the period and the use of cash in the same period to repay its financial creditors (financial entities, investors, partners and shareholders).
  - Comparative: the Company presents comparative information with the previous period.
  - Consistency: the standard used to calculate the net cash provided by financing activities is the same than the used the previous year.
- Earnings per share (EPS);
  - Definition: profit for the year attributable to the parent company / number of ordinary shares outstanding.

- Reconciliation: the Company presents the EPS calculation in the Consolidated Income Statement and in the Note 25 to of the Notes to the Consolidated Financial Statements.
- Explanation of use: earning per share is a financial indicator which measures the portion of profit that corresponds to each share of the Company. It is an indicator widely used by investors when valuing the performance of a Company.
- Comparative: the Company presents comparative information with the previous period.
- Consistency: the standard used to calculate the earnings per share is the same than used the previous year.

- Market capitalization;
  - Definition: number of shares at the end of the period x quote at the end of the period.
  - Reconciliation: the Company presents the market capitalization in the Note 2 of the Management´s report
  - Explanation of use: market capitalization is a financial indicator to measure the size of a Company. It is the total market value of a company.
  - Comparative: the Company presents comparative information with the previous period.
  - Consistency: the standard used to calculate the market capitalization is the same than the used the previous year.
- Backlog
  - Definition: value of construction contracts awarded and pending to execute.
  - Reconciliation: the Company presents the backlog in the Note 2 of the Management´s report.
  - Explanation of use: backlog is a financial indicator which measures the capacity of future revenue generation of the Company.
  - Comparative: the Company presents comparative information with the previous period.
  - Consistency: the standard used to calculate the backlog is the same than the used the previous year.

# 11.- Subsequent events

As descrived on Note 2.1 of going concern, an Updated Viability Plan was prepared during the second half of May, which was later approved by the Board of Directors on August 3, 2016 as well as the term sheet of the Restructuring Agreement which was subscribed afterwards by the main creditors and which is mentioned below. Such plan was approved on August 16, 2016.

During the second half of 2016, the Updated Viability Plan has been the base of the key hypothesis considered by the Directors of the Company when making the financial information.As expected in the previous conditions of the restructuring, creditors required a liquidity plan for 18 month- period which has been made by Directors and approved by the Board of Directors on January 16, 2017. This plan takes the main hypothesis of the Updated Viability Plan, updating some short term hypothesis of such Plan that have been amended due to the delay of the agreement implementation, mainly due to the mentiones insolvency in Mexico.

Since December 31, 2016, no additional events have occurred that might significantly influence the information reflected in the Consolidated Financial Statements, nor has there been any event of significance to the Group as a whole.

# 03.1 Annual corporate governance report

# A. Ownership structure

## A.1 Complete the following table on the company's share capital:

| Date of last modification | Share capital (€) | Number of shares | Number of voting rights |
|---|---|---|---|
| 27-10-2016 | 1,834,252.65 | 941,805,965 | 9,171,263,234 |

Indicate whether there are different classes of shares with different associated rights:

Yes

| Class | Number of shares | Nominal unit | Number of voting rights | Different rights |
|---|---|---|---|---|
| A | 83,125,831 | 0.02 | 100 | Without different rights |
| B | 858,680,134 | 0.0002 | 1 | See section H "Other Information of Interest" at the end of the report |

## A.2 Breakdown of direct and indirect holders of significant shareholdings in the company as of the end of the financial year, excluding directors:

| Name or company name of shareholder | Number of direct voting rights | Indirect voting rights | | % of total voting rights |
|---|---|---|---|---|
| | | Direct owner of shares | Number of voting rights | |
| Inversión Corporativa, I.C, S.A. | 4,100,673,689 | Finarpisa, S.A. | 546,518,300 | 50.67 % |
| Finarpisa, S.A. | 546,518,300 | | – | 5.96 % |

Indicate the most significant changes in the shareholding structure that have occurred during the financial year:

N/A

| Personal or corporate name of the shareholder | Date of the transaction | Description of the transaction |
|---|---|---|
| N/A | N/A | N/A |

## A.3 Complete the following tables about members of the board of directors of the company who have voting rights over company shares:

| Personal or corporate name of the director | Number of direct voting rights | Indirect voting rights | | % of total voting rights |
|---|---|---|---|---|
| | | Direct owner of shares | Number of voting rights | |
| Gonzalo Urquijo Fernández de Araoz | 0 | 0 | 0 | 0 |
| Manuel Castro Aladro | 0 | 0 | 0 | 0 |
| José Luis del Valle Doblado | 0 | 0 | 0 | 0 |
| José Wahnon Levy | 0 | 0 | 0 | 0 |
| Ramón Sotomayor Jáuregui | 0 | 0 | 0 | 0 |
| Javier Targhetta Roza | 0 | 0 | 0 | 0 |
| Pilar Cavero Mestre | 0 | 0 | 0 | 0 |

| % total of voting rights held by the board of directors | 0,000 |
|---|---|

Complete the following tables about members of the company's board of directors with rights over company shares:

Not Applicable

| Personal or corporate name of the director | Number of direct rights | Derechos indirectos | | Number of equivalent shares | % of total voting rights |
|---|---|---|---|---|---|
| | | Direct owner | Number of voting rights | | |
| Gonzalo Urquijo Fernández de Araoz | 0 | 0 | 0 | 0 | 0 |
| Manuel Castro Aladro | 0 | 0 | 0 | 0 | 0 |
| José Luis del Valle Doblado | 0 | 0 | 0 | 0 | 0 |
| José Wahnon Levy | 0 | 0 | 0 | 0 | 0 |
| Ramón Sotomayor Jáuregui | 0 | 0 | 0 | 0 | 0 |
| Javier Targhetta Roza | 0 | 0 | 0 | 0 | 0 |
| Pilar Cavero Mestre | 0 | 0 | 0 | 0 | 0 |

## A.4 Indicate, if applicable, any family, contractual or corporate relations between owners of significant shareholdings, insofar as these are known to the company, unless they bear little relevance or arise from ordinary trading or course of business:

| Name or related corporate name | Relationship type | Brief description |
|---|---|---|
| Inversión Corporativa, I.C, S.A. | Societal | Inversión Corporativa, I.C, S.A holds 99.99% shares in Finarpisa, S.A. |
| Finarpisa, S.A. | | |

## A.5 Indicate, if applicable, the commercial, contractual, or corporate relationships between significant shareholders and the company and/or its group, unless they are immaterial or result from the ordinary course of business:

N/A

| Name or related corporate name | Relationship type | Brief description |
|---|---|---|

## A.6 Indicate whether any private (para-corporate) shareholders' agreements affecting the company pursuant to the provisions of sections 530 and 531 of the Spanish Companies Law (Ley de Sociedades de Capital) have been reported to the company. If so, briefly describe them and list the shareholders bound by the agreement:

Yes

| Participants of the agreement | % of share capital affected | Brief outline of the agreement |
|---|---|---|
| Finarpisa, S.A.<br>Inversión Corporativa, I.C., S.A.<br>First Reserve Corporation | 50.67 % | On 10 October 2011, Inversión Corporativa IC, SA and Finarpisa SA entered into an agreement that regulated the exercise of their respective voting rights in the general meetings of Abengoa in relation to the proposal, appointment, ratification, re-election or substitution of a director to represent the former shareholder of the company, First Reserve Corporation.<br>This agreement was communicated to the CNMV as a relevant fact on 9 November 2011, under record no. 153062.<br>By virtue of said agreement, Inversión Corporativa IC, SA and Finarpisa SA jointly agreed:<br>(i) (i) that during Abengoa's Board of Directors' meeting their proprietary directors will vote (a) on the appointment of the candidate proposed to said board to serve as director designated by the investor based on the co-opting procedure; and (b) the proposal to recommend to the shareholders of Abengoa, that during the next General Shareholders Meeting they appoint, as the case may be, a replacement for the director designated by the investor on the Board of Directors.<br>(ii) to vote in the corresponding General Shareholders Meeting of Abengoa for the appointment of the candidate proposed by the Investor;<br>(iii) as long as First Reserve Corporation or any of its related entities retains Abengoa class B shares or any other instrument convertible in, or exchangeable for, Abengoa class B shares, they cannot propose or ask the Board of Directors to recommend to shareholders any kind of changes to the company bylaws which may adversely affect the equality rights of class B shares and class A shares regarding to the distribution of dividends or other similar distributions as envisaged in the bylaws. |
| Finarpisa, S.A.<br>Inversión Corporativa, I.C., S.A. | 50.67 % | On 27 August 2012, Inversión Corporativa IC, SA and its subsidiary, Finarpisa S.A., amended the aforementioned shareholders' agreement with the Abengoa shareholder, First Reserve Corporation.<br>The amendment to this agreement was communicated to the CNMV as a relevant fact on 27 August 2012, under record no. 172757.<br>The amendment consisted of including in the undertaking described under section (iii) of the agreement of 10 October 2011 the additional obligation of Inversión Corporativa, I.C., S.A. and Finarpisa, S.A. to vote against the proposals for changes to the bylaws described in foregoing section (iii) that were submitted by another shareholder or by the Board of Directors. |
| Abengoa, S.A.<br>Inversión Corporativa, I.C., S.A. | 50.67 % | On 27 August 2012, Abengoa, S.A. entered into a shareholder agreement with its main shareholder, Inversión Corporativa, I.C., S.A.<br>The agreement was communicated to the CNMV as a relevant fact on 27 August 2012, under record no. 172756.<br>By virtue of said agreement, Inversión Corporativa, I.C., S.A., either directly or indirectly through its subsidiary Finarpisa S.A., agrees:<br>(i) to vote in favour of the agreements regarding points 2nd, 3rd, 4th, 5th, 6th and 7th on the agenda of the General Shareholders Meeting held on 30 September 2012, as long as it is first verified that the aforementioned agreements are approved by the majority of the shareholders of class A other than those of Inversión Corporativa;<br>(ii) not to exercise its voting rights except up to a maximum of 55.93 % in cases in which, as a result of the exercise of the rights of conversion of class A shares into class B shares expected to be included in the corporate bylaws, the total percentage of the voting rights it holds are increased over the company's entire voting rights;<br>(iii) that the percentage of the number of shares with voting rights held at all times (whether such shares are class A or class B) over the Company's total number of shares not be at any time lower than one quarter of the percentage of the voting rights that said shares may allocate to Inversión Corporativa in relation to the company's total number of voting rights; and that, should such be the case, class A share should be transferred or converted into class B, in the amount deemed necessary to sustain such proportion. |

Indicate whether the company is aware of the existence of concerted actions among its shareholders. If so, briefly describe them:

N/A

| Participants of concerted action | % of share capital affected | Brief description of the concerted action |
|---|---|---|

Expressly indicate whether any of such agreements, arrangements, or concerted actions have been modified or terminated during the financial year:

On 23 December 2016 the Company communicated to the Spanish Securities Market Commission, through a relevant fact under record number 246416, the termination of the investment agreement entered into with First Reserve Corporation (FRC) on 3 October 2011, given that, on that date, FRC did not hold any class B shares of the Company or other securities that could be exchanged or converted into class B shares and, therefore, had no stake in the Company's share capital. As a result of such termination, the aforementioned shareholders' agreements between FRC and other shareholders referred to herein, which came about from the investment with FRC, forfeit their raison d'être.

## A.7 Indicate whether there is any individual or legal entity that exercises or may exercise control over the company pursuant to section 5 of the Spanish Securities Market Act (Ley del Mercado de Valores). If so, please identify:

Yes

| Name or company name |
|---|
| Inversión Corporativa, I.C, S.A. |

| Comments |
|---|
| At the close of the financial year, Inversión Corporativa, I.C, S.A. directly owns 44.71 % of the share capital in Abengoa, S.A.; and indirectly 5.96 % through its subsidiary Finarpisa S.A. Inversión Corporativa, I.C, S.A. it holds an interest of 99.99 % in Finarpisa S.A. |

## A.8 Complete the following tables on the company's treasury stock:

At financial year end:

| Number of direct shares | Number of indirect shares (*) | % Total on share capital |
|---|---|---|
| 5,662,480 (Class A Shares) | 0 | 6.174 % |
| 0 (Class B Shares) | 0 | 0 % |
| 5,662,480 (Total Shares) | 0 | 6.174 % |

(*) Held through:

| Name or corporate name of the direct holder of shares | Number of direct shares |
|---|---|
| Total: | |

Explain any significant changes, pursuant to the provisions of Royal Decree 1362/2007 that have occurred during the financial year:

Not Applicable

Explain any significant changes

| Communication date | Total of direct shares acquired | Total of indirect shares acquired | % total over share capital |
|---|---|---|---|

## A.9 Describe the terms and conditions and current timeframes that shareholders confer upon the Board of Directors to issue, repurchase, or transfer treasury stock:

The Ordinary General Shareholders Meeting held on 29 March 2015 authorised the Board of Directors to buy back the Company's shares, of any of the classes of shares stipulated in the company bylaws, either directly or through its subsidiary or investee companies up to the maximum permitted by current laws at a rate set between one hundredth part of a euro (€0.01) as a minimum and twenty Euros (€20) as maximum, with the specific power of substitution in any of its members. Said power shall remain in force for five (5) years from that date, subject to article 144 et seq of the Spanish Companies Act. The authorization expressly includes the acquisition of shares that must be delivered directly to the company's employees or company officers, or as a consequence of the option rights to which they are entitled. Thus, the authorisation conferred upon the Board of Directors for the same purposes, by virtue of the decision taken at the Ordinary General Shareholders meeting held on 6 April 2014, was specifically revoked.

During 2016 there were no transactions with treasury stock.

## A.9 bis Estimated floating capital:

| | % |
|---|---|
| Estimated free-float | 43.15 |

## A.10 Indicate whether there are any restrictions on transferring shares and/or any restrictions on voting rights. In particular, disclose the existence of any restrictions that might hinder a takeover of the company through the acquisition of its shares in the market.

There are no statutes restricting the transfer of assets or voting rights. However, in the context of the financial restructuring of the Company, its significant shareholders made a commitment of not to transfer their shareholding in the Company until the restructuring operation is completed.

| Description of restrictions |
|---|
| |

## A.11 Indicate whether the general shareholders meeting agreed to implement neutralisation measures to prevent public takeovers pursuant to the provisions of Law 6/2007.

No

**If applicable, explain the approved measures and the terms under which the restrictions may be ineffective:**

## A.12 Indicate whether the company has issued securities that are not traded on a regulated market within the European Community.

No

See Section H "Other Information of Interest"

**If applicable, specify the different classes of shares, if any, and the rights and obligations attaching to each class of shares.**

# B. General meeting

## B.1 Indicate and, if applicable, describe whether there are differences with the minimum requirements set out in the Spanish Companies Act in connection with the quorum needed for the general shareholders meeting.

No

| | % of quorum different to that set out in article 193 of the Spanish Companies Act for general cases | % of quorum different to that set out in article 194 of the Spanish Companies Act for special cases |
|---|---|---|
| Quorum required in 1st call | | |
| Quorum required in 2nd call | | |

| Description of the differences |
|---|
| |

## B.2 Indicate and, if applicable, describe any differences with regard to the system contemplated in the Spanish Companies Act for the adoption of corporate resolutions:

No

Describe how they differ from the rules set out in the Spanish Companies Act.

| | Qualified majority other than that established in article 201.2 of the Spanish Companies Act for the cases set out in section 194.1 of the Spanish Companies Act | Other instances in which a qualified majority is required |
|---|---|---|
| % established by the entity for the adoption of resolutions | | |

| Describe the differences |
|---|
| |

## B.3 Indicate the rules applicable to the amendment of the company's bylaws. In particular, disclose the majorities required for amending the bylaws, and, where applicable, the legal provisions for the protection of partner rights regarding the amendment of the by-laws.

Amendments in the Company's by-laws are governed by the Spanish Companies Law, specifically in its Articles 285 and following, and by the Company's internal corporate governance regulations.

The by-laws and the rules and regulations of the general meeting (Articles 29 and 13 respectively) provide a special quorum that may enable the ordinary or extraordinary general meeting to validly agree on bond issuance, on capital increase or decrease, on changing, merging or splitting of the company and, in general, on any amendments whatsoever to the bylaws, thus requiring, on the first call, the convening of shareholders, present or represented, with at least fifty percent of the subscribed share capital with voting rights. In the second call to meeting, it will be sufficient for twenty-five percent of the share capital to be present or represented. In the event of the attendance of shareholders with less than twenty-five percent of the subscribed capital with voting rights, decisions may only be taken with the favourable votes of two thirds of the capital present or represented in the Meeting.

Article 8 of the bylaws establishes certain rules and regulations for the purpose of protecting minority shareholders in bylaw amendment matters:

*"[…] (B.4) Separate voting in matters regarding the amendment of bylaws or agreements and other operations that may negatively affect class B shares.*

*Bylaw or agreement amendments that may directly or indirectly damage or negatively affect the pre-emptive rights or privileges of class B shares (including any amendments to the precautionary bylaws regarding class B shares or any agreements that may damage or negatively affect class B shares in comparison with class A shares, or that may benefit or favourably affect class A shares in comparison with class B shares) shall require, in addition to being approved pursuant to the stipulations of these bylaws, the approval of a majority of class B shares in circulation at the time. For explanatory but by no means limiting purposes, said precaution shall entail as follows: the elimination or amendment of the precautions set forth herein on the principles of proportionality between the number of shares representing class A shares, those of class B and those of class C (if previously issued) over the total of the company's shares in the issuance of new shares or securities or instruments that may give rise to conversion, exchange or acquisition, or in any other manner, that may suppose a right to receive the company's shares; the partial or total exclusion, of a non-egalitarian nature for shares of class A, class B and class C (as the case may be), of the pre-emptive and other analogous rights that may be applicable by Law and by these bylaws; the repurchase or acquisition of the company's own shares that may affect class A shares, class B shares and class C shares (as the case may be), in non-identical manner, in terms and conditions,*

*in price or otherwise therein, and which may exceed what is produced under the framework of ordinary operation of treasury stock or which may cause amortization of shares or the reduction of capital in non-identical manner for class A, class B or class C shares (as the case may be); the approval of the company's structural modification that does not amount to treatment identity in all of its aspects for class A and class B shares; the exclusion of the shares of the company from trading on any secondary stock exchange or securities market except through the presentation of an offer of acquisitions for the exclusion from trading as envisaged in the considerations for the class A, class B and class C shares (as the case may be); the issuance of class C or of any other class of preferred or privileged shares that may be created in future.*

*For that purpose, separate voting rights shall not be required for the various existing classes of shares to decide on whether to totally or partially exclude, as the case may be, the pre-emptive and other analogous rights that may be applicable pursuant to the Law and to these bylaws, simultaneously and identically for class A, class B and, as the case may be, class C shares."*

[…]

*"(C.6) 6.2 Separate voting in matters regarding the amendment of bylaws or agreements and other operations that may negatively affect class C shares.*

*Notwithstanding Article 103 of the Spanish Companies Law, amendments of bylaws or agreements that may directly or indirectly damage or negatively affect the pre-emptive rights or privileges of class C shares (including any amendments to the precautionary bylaws relating to class C shares or to any agreement that may damage or negatively affect class C shares in comparison with class A and/or class B shares, or that may benefit or favourably affect class A and/or class B shares in comparison with class C shares) shall require, in addition to approval pursuant to the stipulations of these bylaws, approval by a majority of class C shares in circulation at the time. For explanatory but by no means limiting purposes, said precaution shall entail as follows: the elimination or amendment of the precaution set forth herein on the principles of proportionality between the number of shares representing class A shares, those of class B (if previously issued) and those of class C over the total of the company's shares in the issuance of new shares or securities or instruments that may give rise to conversion, exchange or acquisition, or otherwise, that may suppose a right to receive the company's shares; the partial or total exclusion, of a non-egalitarian nature for shares of class A and/or class B and class C of the pre-emptive and other analogous rights that may be applicable by Law and these bylaws; the repurchase or acquisition of the company's own shares that may affect class A and/or class B shares with regards to class C shares, in non-identical manner, in terms and conditions, in price or in any other manner, and which may exceed what is produced under the framework of ordinary operation of treasury stock or which may cause amortization of shares or reduction of capital in non-identical manner for class A, class B (as the case may be) and class C shares; the approval of the company's structural modification that does not amount to treatment identity in all of its aspects for class A, class B shares (as the case may be) with regards to class C; the exclusion of the shares of the company from trading on any secondary stock exchange or securities market except through the presentation of an offer of acquisitions for the exclusion from the trading as envisaged in the considerations for class A, (class B as the case may be) and class C shares; the issuance of any other class of preferred or privileged shares that may be created in future.*

*Notwithstanding the provisions of article 293 of the Spanish Companies Act, whatever the case may be, the Company's agreements on capital increase under whichever modality and under any formula that may give rise to the first issuance of class C shares shall, in addition to its approval in accordance with the legal provisions and with article 29 of these bylaws, require the approval of the majority of class B shares that may be in circulation.*

See Section H "Other Information of Interest"

## B.4 Give details of attendance at general meetings of shareholders held during the financial year referred to in this report and also those in the previous financial year:

| | Attendance data | | | | |
|---|---|---|---|---|---|
| | | | % of absentee voting | | |
| Date of General Shareholders meeting | % of physical presence | % of proxy | Electronic voting | Other | Total |
| 22-11-2016 | 6.86 | 51.29 | 0.080 | 0.06 | 58.29 |
| 30-06-2016 | 6.58 | 52.51 | 0.01 | 0.64 | 59.74 |
| 10-10-2015 | 64.40 | 3.33 | 0.00 | 0.40 | 68.13 |
| 29-03-2015 | 64.65 | 6.78 | 0.00 | 0.31 | 71.74 |

## B.5 Indicate whether there are any bylaw restrictions requiring a minimum number of shares to attend the general shareholders meeting:

Yes

| | |
|---|---|
| Number of shares required to attend the general shareholders meeting | 375 |

See Section H "Other Information of Interest"

## B.6 Section deleted.

## B.7 Indicate the URL and method for accessing the company's website to access information regarding corporate governance and other information regarding general meetings of shareholders that must be made available to the shareholders through the company's website.

The address of the Abengoa SA website is www.abengoa.com/es and all the necessary and updated information relating to shareholders meetings can be found under the section of shareholders and investors.

The full path to follow is:

http://www.abengoa.es/web/es/accionistas_y_gobierno_corporativo/juntas_generales/

In compliance with the provisions of article 539.2 of the Spanish Companies Act, Abengoa maintains an electronic forum for shareholders in order to facilitate communication between shareholders regarding the convening and holding of all the general meetings of shareholders. In accordance with the regulations on the electronic forum for shareholders, Shareholders may send the following prior to each general meeting:

- Proposals intended for inclusion as part of the agenda outlined in the call for the general shareholders meeting.
- Request for the inclusion of said proposals.
- Initiatives to reach the required percentage to exercise minority voting rights.
- Requests for voluntary representation.

# C. Structure of the company's governing body

## C.1 Board of directors

**C.1.1 Maximum and minimum number of directors stipulated in the company by-laws:**

| | |
|---|---|
| Maximum number of directors | 16 |
| Minimum number of directors | 3 |

## C.1.2 Complete the following table identifying the members of the board:

| Personal or corporate name of director | Represent.. | Category of the director | Seat on the board | Date of first appointment | Date of last appointment | Election procedure |
|---|---|---|---|---|---|---|
| Gonzalo Urquijo Fernández de Araoz | | Executive | Chairman | 22/11/2016 | 22/11/2016 | Voting in Shareholders Meeting |
| Manuel Castro Aladro | | Independent | Coordinating Director and Member | 22/11/2016 | 22/11/2016 | Voting in Shareholders Meeting |
| José Luis del Valle Doblado | | Independent | Director | 22/11/2016 | 22/11/2016 | Voting in Shareholders Meeting |
| José Wahnon Levy | | Independent | Director | 22/11/2016 | 22/11/2016 | Voting in Shareholders Meeting |
| Ramón Sotomayor Jáuregui | | Independent | Director | 22/11/2016 | 22/11/2016 | Voting in Shareholders Meeting |
| Javier Targhetta Roza | | Independent | Director | 22/11/2016 | 22/11/2016 | Voting in Shareholders Meeting |
| Pilar Cavero Mestre | | Independent | Director | 22/11/2016 | 22/11/2016 | Voting in Shareholders Meeting |

| | |
|---|---|
| Total number of directors | 7 |

Indicate the vacancies on the board of directors during the reporting period:

| Personal or corporate name of the director | Category of the director at the time of removal | Leaving date |
|---|---|---|
| José Luis Aya Abaurre | Proprietary | 12/02/2016 |
| José Domínguez Abascal | Other External | 18/04/2016 |
| Claudi Santiago Ponsa | Proprietary | 25/05/2016 |
| Javier Benjumea Llorente | Executive | 30/06/2016 |
| Antonio Fornieles Melero | Executive | 22/11/2016 |
| Joaquín Fernández de Piérola Marín | Executive | 22/11/2016 |
| Alicia Velarde Valiente | Independent | 22/11/2016 |
| José Joaquín Abaurre Llorente | Proprietary | 22/11/2016 |
| Inayaba, S.L. (represented by Ana Abaurrea Aya) | Proprietary | 22/11/2016 |
| José Borrell Fontelles | Independent | 22/11/2016 |
| Mercedes Gracia Díez | Independent | 22/11/2016 |
| Ricardo Hausmann | Independent | 22/11/2016 |
| Ricardo Martínez Rico | Independent | 22/11/2016 |
| Ignacio Solís Guardiola | Proprietary | 22/11/2016 |

See Section H "Other Information of Interest"

**C.1.3 Complete the following tables on the directors and their different categories:**

## Executive directors

| Personal or corporate name of the director | Position within the company structure |
|---|---|
| Gonzalo Urquijo Fernández de Araoz | Chairman |

| | |
|---|---|
| Total number of executive directors | 1 |
| Total % of directors | 14.29 % |

## External proprietary directors

N/A

| Personal or corporate name of the director | Individual or company name of the significant shareholder represented by the director or that has proposed the director's appointment |
|---|---|
| 0 | N/A |

| | |
|---|---|
| Total number of proprietary directors | 0 |
| Total % of the Board | 0 % |

## Independent external directors

| Personal or corporate name of the director | Profile |
|---|---|
| Manuel Castro Aladro | He has a Business Administration and Management degree from the Universidad Pontifica de Comillas (ICADE), and an International Executive MBA from the University of Chicago. He began his career at Arthur Andersen and later, in 1992, moved to the banking sector. In 1998 he joined BBVA where he held various positions related to business development until 2009, the year he was appointed Group Chief Risk Officer, a position he held until 2015. Since 2015 he has been independently advising banks and investment funds on issues related to risk management and investments. |
| José Luis del Valle Doblado | He has a Mining Engineering degree from the Universidad Politécnica de Madrid and a degree in Nuclear Engineering from the Massachusetts Institute of Technology (MIT), as well as an MBA from Harvard University. He has approximately 35 years' experience at Banco Central Hispanoamericano, Santander Central Hispano, where he participated in the merger between the two banks. He has also held various positions at Iberdrola, where he was CEO of Scottish Power, and was appointed Director of Strategy and Development in 2002. In 2014 he was appointed non-executive chairman of GES Insurers and Reinsurers and Lar Spain, and is an independent director of Ocaso Seguros. |
| José Wahnon Levy | He has a Business Administration and Management degree from the Universidad de Barcelona and a Law degree from the Universidad Complutense de Madrid as well as a Doctorate from Harvard Business School. He started his career at Pricewaterhouse Coopers, a firm of which he became a partner in 1987, responsible for the financial institutions division between 1975 and 2003 and for the audit division from 2003 until he left the firm in 2007. He was subsequently a director at several enterprises tied to the Deposit Guarantee Fund. |
| Ramón Sotomayor Jáuregui | He has an in Industrial Engineering degree from the University of Portsmouth and an MBA from Rutgers University. He began his professional career at Ercross Spain and later joined the ThyssenKrupp Group, where he held various positions including CEO for Southern Europe, Africa and the Middle East from 2011-2015. He has also been an independent director of several companies among which are Velatia and Levantina Natural Stone. |
| Javier Targhetta Roza | He has a Mining Engineering degree from the Universidad Politécnica de Madrid and a PADE in Business Administration through the IESE. He began his career in the metallurgical sector, where he joined the AIPSA project. In 1973 he joined the Sereland consulting firm, where he worked for 8 years. After his experience at Sereland he worked in the naval sector as chairman of the Compañía Transatlántico Española and Empresa Nacional Elcano. In 1990 he was appointed CEO of Rio Tinto Minera, a company that was acquired in 1993 by Freeport McMoran, a position he still holds to date. |
| Pilar Cavero Mestre | She holds a Law degree from the Universidad Complutense de Madrid, as well as a programme of Leadership of Services Companies from Harvard. She began her career at the Asociación de Cajas de Ahorros en España, and then in 1986 she joined the legal practice sector. In 1990 she joined Cuatrecasas where she has developed her professional career since being named partner in 1993. She is currently an honorific partner of the Practice, without executive functions, and is an independent director of Testa. |

| | |
|---|---|
| Total number of independent external directors | 6 |
| Total % of the Board | 85.71 % |

Indicate whether any director classified as independent receives from the company or its group any amount or benefit for items other than director remuneration, or maintains or has maintained during the last financial year a business relationship with the company or with any company of its group, whether in the director's own name or as a significant shareholder, director, or senior officer of an entity that maintains or has maintained such relationship.

No

If applicable, include a reasoned statement of the director regarding the reasons for which it is believed that such director can carry out the duties thereof as an independent director

Not Applicable

| Personal or corporate name of the director | Description of the relationship | Reasoned statement |
|---|---|---|
| | | |

Other external directors

Identify the other external directors and describe the reasons why they cannot be considered proprietary or independent directors as well as their ties, whether with the company, its management, or its shareholders:

N/A

| Personal or corporate name of the director | Reasons | Company, executive or shareholder with whom the connection is held |
|---|---|---|
| | | |

| | |
|---|---|
| Total number of other external directors | |
| Total % of the Board | |

Indicate the changes, if any, in the class of each director during the period in the category of each Director:

| Personal or corporate name of the director | Date of change | Previous category | Current category |
|---|---|---|---|
| Antonio Fornieles Melero | 1/3/2016 | Independent | Executive |
| José Domínguez Abascal | 1/3/2016 | Executive | Other External |

**C.1.4 Complete the following table with information regarding the number of female directors for the last 4 financial years, as well as the status of such directors:**

| | Number of female directors: | | | | % of total of directors of each category | | | |
|---|---|---|---|---|---|---|---|---|
| | Financial year 2016 | Financial year 2015 | Financial year 2014 | Financial year 2013 | Financial year 2016 | Financial year 2015 | Financial year 2014 | Financial year 2013 |
| Executive | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proprietary | 0 | 0 | 1 | 1 | 0 | 0 | 14.28 | 14.28 |
| Independent | 1 | 2 | 2 | 2 | 14.29 | 33.33 | 40 | 50 |
| Other External | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total: | 1 | 2 | 3 | 3 | 14.29 | 15.38 | 18.75 | 20 |

**C.1.5 Explain any measures adopted to include on the board of directors a number of women that allows for a balanced representation of men and women.**

**Explanation of the measures**

In its Article 1, the regulations of the Appointments and Remuneration Committee provides the following:

"Article 1. Composition. Designation of its members". [...] "The Appointments and Remuneration Committee shall establish procedures and ensure that when new vacancies arise:

a) The selection process for board vacancies has no implicit bias against female candidates;

b) The company makes a conscious effort to include female candidates that meet the professional profile sought."

It is the responsibility of the Appointments and Remunerations Committee to notify the Board about any issues of gender diversity. It is also obliged to establish a representation target for the less represented sex on the Company's Board of Directors and draft guidelines on how to achieve this target

The Appointments and Remunerations Committee is also responsible for verifying compliance with the board members selections policy. It establishes that the selection process shall begin with an analysis of the needs of the Company and its group of companies, bearing in mind the following: (i) that the appointments are based on the diversity of knowledge, experience and gender within the Board of Directors; and (ii) that the Committee ensures that by the year 2020 the number of female board members shall amount to, at least, thirty percent of the total of the members of the Board of Directors.

Moreover, through the company's Gender Equality Framework Plan, in 2009, to ensure the practice of these values, Abengoa created the Equal Opportunity and Treatment Office (OITO) under the Gender Equality Framework Plan. The mission of this office is to advocate gender equality within the whole organisation, promoting, developing and managing the Gender Equality Plan and other plans associated with it

In addition, the Equal Opportunities and Treatments Committee was set up with the duty of a worldwide follow-up, with its subsequent development of aspects related with equal opportunities between men and women in the Abengoa Group. The Equal Opportunities and Treatments Committee is presided over by the Human Resource Director and integrated, as permanent members, by the heads of Human Resource in the various business units and geographical areas, as well as by the director of Corporate Social Responsibility.

Equal Opportunity and Treatment office (EOTO) within the Framework Plan

It also created an Equal Opportunity and Treatment Commission responsible for making a worldwide follow-up, with its subsequent development, on issues related to equal opportunities between men and women within the Abengoa Group. The Equal Opportunity and Treatment Commission is chaired by the Human Resources Director and integrated by the HR heads from the various areas and geographical locations of the business, as well as by the CSR director as permanent members.

**C.1.6 Explain any measures approved by the appointments committee in order for selection procedures to be free of any implied bias that hinders the selection of female directors, and in order for the company to deliberately search for women who meet the professional profile that is sought and include them among potential candidates:**

**Explanation of the measures**

The Appointments and Remunerations Committee is responsible for assessing the capabilities, knowledge and experience required on the Board, defining the necessary aptitudes and functions of the candidates for covering its vacancies, assessing the time and dedication needed for the appropriate execution of their jobs.

The Appointments and Remunerations Committee objectively and transparently assesses the potential candidates based on merit criteria, promoting male and female equality and rejecting all kinds of direct or indirect discrimination based on gender.

In the context of restructuring Abengoa and pursuant to the terms and conditions of the Restructuring Agreement that the Company signed on 24th September 2016, Abengoa's Board of Directors was completely modified, both in number and composition, at the Extraordinary General Meeting of Shareholders held on 22nd November 2016.

En the selection process for new members of the Board of Directors, all of them independent except one, the Appointments and Remunerations Committee, for that purpose, using the proposal of Spencer Stuart, strived for the inclusion of women among other candidates and, at least, one woman among those finally selected.

If there are few or no female directors despite any measures adopted, describe the reasons for such result:

**Explanation of the reasons**

The members of the Board of Directors of Abengoa were appointed by the General Shareholders Meeting on 22 November 2016 and, in compliance with the undertakings assumed under the restructuring agreement signed on 24 September 2016, were proposed by the Appointments and Remuneration Committee on the basis of selection and proposal carried out by the consulting firm Spencer Stuart.

In this regard, Spencer Stuart and the Appointments and Remuneration Committee assessed the capabilities and merits of the various candidates and proposed those candidates considered most appropriate taking into account the characteristics of Abengoa and its current circumstances.

**C.1.6 bis Explain the conclusions of the appointments committee regarding verification of compliance with the director selection policy. Particularly, explain how said policy is promoting the goal that the number of female Board of Directors represents at least 30% of all members of the Board of Directors by 2020.**

The policy for selecting directors sets out that, when making such a selection, this shall be based on analysing the needs of the Company and of its group of companies, further taking into account (i) that the appointments must favour diversity of expertise, experience and gender on the Board of Directors; and (ii) that by 2020 the number of female directors must represent at least 30% of all members of the Board of Directors. External advisors may be brought in to assist with the selection of directors.

In accordance with the directors' selection policy, said directors must be persons respectable in the society, qualified and with recognised expertise, competence, experience, qualifications, training, availability and commitment to their duties, seeking to ensure that the composition of the Board of Directors is diverse and balanced.

The Extraordinary General Shareholders meeting held on 22 November 2016, following a positive report issued by the Appointments and Remuneration Committee in the case of the executive director and at its proposal in the case of independent directors, renewed the composition of the Board of Directors by appointing the current directors of Abengoa, among which there directors with financial, industrial and legal profiles.

As described in the mandatory reports of the Board of Directors in this respect, the appointment proposals were formulated within the framework of the obligations assumed by the company under the agreement for the restructuring of the financial debt and recapitalisation of the group of companies of which Abengoa is the parent company. This involves the undertaking to submit a proposal for approval by an Extraordinary General Shareholders meeting with regard to renewal of the composition of the company's Board of Directors, by replacing all directors with people that comply with the conditions to be considered as independent external directors of the Company, based on the candidate proposal put forward by Spencer Stuart, a firm that specialises in providing human resource consultancy services, to enable the Company's Board of Directors to comprise a majority of independent external directors.

The selection of directors, made by the firm, Spencer Stuart, and on which the Appointments Committee bases its reports and proposals, took into account (i) the company's needs at a time of financial difficulties; (ii) the required diversity of profiles, combining people with an industrial profile, required for a greater understanding of the business, as well as financial and legal persons capable of understanding the complex financial situation the company was in; and (iii) the capability, demonstrated qualifications and experience of the different candidates, thus fulfilling the objectives set out in the policy for selection of directors and with the conditions it sets out when selecting candidates.

Based on previous considerations, the Appointments and Remunerations Committee concluded that the board member selection policy was satisfactorily applied in 2016

**C.1.7 Explain the form of representation on the board of shareholders with significant holdings.**

In 2016, the shareholders with significant shares were represented through proprietary directors that perform their duties on the basis of the Company's code of conduct and the remaining standards that apply to all members of the Board.

At the close of the financial year, after replacing former members of the Board of Directors with others holding the nature of independent or executive directors, the significant shareholders were no longer represented on the board by proprietary directors.

**C.1.8 Explain, where applicable, the reasons why proprietary directors have been appointed at the proposal of shareholders whose shareholding interest is less than 3 % of share capital:**

Not Applicable

| Personal or corporate name of the shareholder | Justification |
|---|---|
| | |

Indicate any failure to address formal requests for board representation made by shareholders with stakes equal to or exceeding that of others at whose request proprietary members were appointed. If so, explain the reasons why the request was not met:

N/A

| Personal or corporate name of the shareholder | Explanation |
|---|---|
| | |

**C.1.9 Indicate whether any director has resigned from his/her position as such before the expiration of the director's term of office, whether the director has given reasons to the board and by what means, and in the event that the director gave reasons in writing, describe at least the reasons given thereby:**

| Name of director | Reason for withdrawal |
|---|---|
| José Luis Aya Abaurre | Passed away on 12 February 2016 |
| José Domínguez Abascal | Submitted his resignation to the Board of Directors on 18/04/2016 for personal reasons. |
| Claudi Santiago Ponsa | Submitted his resignation to the Board of Directors on 25/05/2016 in light of the expected new shareholding body of the Company resulting from the restructuring process. |
| Javier Benjumea Llorente | Removed from office as an executive director through a resolution adopted by the Ordinary General Shareholders meeting on 30 June 2016 at the second call. |
| Antonio Fornieles Melero | Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process. |
| Joaquín Fernández de Piérola Marín | Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process. |
| Alicia Velarde Valiente | Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process. |
| José Joaquín Abaurre Llorente | Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process. |
| Inayaba, S.L. (represented by Ana Abaurrea Aya) | Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process. |
| José Borrell Fontelles | Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process. |
| Mercedes Gracia Díez | Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process. |
| Ricardo Hausmann | Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process. |
| Ricardo Martínez Rico | Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process. |
| Ignacio Solís Guardiola | Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process. |

**C.1.10 Indicate, where applicable, any powers delegated by any Chief Executive Officer:**

| Personal or corporate name of the director | Brief description |
|---|---|
| Gonzalo Urquijo Fernández de Araoz | General Powers that can be jointly exercised with other attorneys-in-fact of the Company |

**C.1.11 Identify, where applicable, any members of the board who are directors or officers of companies within the listed company's group:**

Not Applicable

| Personal or corporate name of the director | Corporate name of group entity | Post | Does he/she holds executive responsibilities |
|---|---|---|---|

**C.1.12 Provide details, where applicable, of company directors who also sit on the boards of other entities listed on different official stock markets to their group, of which the company is aware:**

| Personal or corporate name of the director | Corporate name of the listed company | Post |
|---|---|---|
| Gonzalo Urquijo Fernández de Araoz | Vocento, S.A. | Director |
| José Luis del Valle Doblado | Lar España Real Estate SOCIMI, S.A. | Chairman |

**C.1.13 Indicate and, if applicable, explain whether the regulations of the board have established rules regarding the maximum number of boards on which its directors may sit:**

Yes

| Explanation of the rules |
|---|
| Article 14 of the Board Regulations limits the number of boards on which company directors may sit.<br>*"[...] Directors are obliged by virtue of their office, in particular, to:*<br>*[…]*<br>*(n) Participate actively and with dedication in the matters covered by the Board of Directors, and follow them up, gathering the necessary information. For the foregoing purposes, in order to ensure the adequate time allocation of the directors for the correct performance of their functions and without prejudice to the terms of article 16 herein below, which shall, in any event, be applicable, the directors may not simultaneously hold more positions in listed companies than those which are set out in one of the following combinations:*<br>*i. An executive position together with three non-executive positions.*<br>*ii. Five non-executive positions.*<br>*The term executive position shall be understood to mean a position for which management functions are performed*<br>*irrespective of the legal nature of the functions carried out.*<br>*The foregoing restrictions relate only to positions on the boards of directors of other listed companies, although if a director were to participate on the board of directors*<br>*of other unlisted companies and such participation were to involve a high degree of dedication, such director must immediately inform his intention and the Appointments and Remuneration Committee shall evaluate the authorisation to join such board of directors.*<br>*The executive positions or non-executive positions which are held within a single corporate group or in commercial companies in which the Company holds a shareholding of at least 10% of the share capital or of the voting rights shall be considered to constitute a single position".* |

**C.1.14 Section deleted.**

**C.1.15 Indicate the overall remuneration of the board of directors:**

| | |
|---|---|
| Remuneration of the board of directors (in thousands of Euros) | 2,782 |
| Amount of remuneration for the concept of accumulated pension entitlements for current directors (in thousands of Euros) | 0 |
| Amount of remuneration for the concept of accumulated pension entitlements for former directors (in thousands of Euros) | 0 |

**C.1.16 Identify the members of the company's senior management who are not executive directors and indicate the total remuneration accruing to them during the financial year:**

| Name or Corporate Name | Post | Body | AD Date |
|---|---|---|---|
| Mr. Joaquín Fernández de Piérola | Managing Director | Executive Committee | From 22.11.16 |
| Mr. Daniel Alaminos Echarri | General and Board Secretary | Executive Committee | From 22.11.16 (*) |
| Mr. Víctor Manuel Pastor Fernández | Finance Director | Executive Committee | From 22.11.16 |
| Mr. David Jiménez-Blanco Carrillo de Albornoz | Director of Restructuring and Strategy | Executive Committee | From 22.11.16 |
| Mr. Álvaro Polo Guerrero | Director of Human Resources | Executive Committee | From 22.11.16 (*) |
| Mr. Juan Carlos Jiménez Lora | Director of Appointments and Remunerations | Strategy Committee | Until 22.11.16 |
| Mr. Armando Zuluaga Zilbermann | Director of Solar Business Group | Strategy Committee | Until 22.11.16 |
| Mr. Germán Bejarano García | Director of Int. Institutional Relations. | Strategy Committee | Until 22.11.16 |
| Mr. Antonio Vallespir de Gregorio | Director of the Bioenergía Business Unit | Strategy Committee | Until 22.11.16 |
| Mr. Alfonso González Domínguez | Director of ICI Business Unit | Strategy Committee | Until 22.11.16 |
| Mr. Enrique Borrajo Lovera | Director of Consolidation | Strategy Committee | Until 22.11.16 |

| Name or Corporate Name | Post | Body | AD Date |
|---|---|---|---|
| Mr. Miguel Ángel Jiménez de Velasco Mazarío | Director of Regulations Compliance | Strategy Committee | Until 22.11.16 |
| Mr. Jesús Ángel García-Quílez Gómez | Finance Director | Strategy Committee | Until 22.11.16 |
| Mr. Teodoro López del Cerro | Technical General Secretary | Strategy Committee | From 23.08 Until 22.11.16 |
| Mr. Pedro Almagro Gavilán | Director of Vertical de Agua | Strategy Committee | From 23.08 Until 22.11.16 |
| Mr. Arturo Buenaventura Pouyfaucon | Director Abengoa Research | Strategy Committee | From 23.08 Until 22.11.16 |
| Mr. Luis Enrique Pizarro Maqueda | Director of Internal Audits | Strategy Committee | Until 30.11.16 |
| Mr. Enrique Aroca Moreno | Director of Simosa IT | Strategy Committee | Until 17.10.16 |
| Ms. Ana Raquel Díaz Vázquez | Technical General Secretary | Strategy Committee | Until 31.05.16 |
| Mr. Manuel Doblaré Castellanos | Director Abengoa Research | Strategy Committee | Until 31.05.16 |
| Mr. Carlos Cosín Fernández | Director of Grupo de Negocio Agua | Strategy Committee | Until 06.05.16 |
| Total Remuneration of Top Management (in thousands of Euros) | | | 2,348 thousands of Euros |

See Section H "Other Information of Interest"

**C.1.17 Indicate the identity of the members of the board, if any, who are also members of the board of directors of significant shareholders and/or in entities of their group:**

Not Applicable

| Personal or corporate name of the director | Corporate name of significant shareholder | Post |
|---|---|---|
| | | |

Describe any significant relationships, other than the ones contemplated in the point above, of the members of the board of directors linking them to significant shareholders and/or companies within their group:

N/A

| Name or company name of associated director | Name or company name of associated significant | Description of relationship |
|---|---|---|
| | | |

**C.1.18 Indicate whether the regulations of the board was amended during the financial year:**

Yes

| Description of amendments |
|---|
| Pursuant to the resolution of the Board of Directors dated 30 March 2016 the Board regulations were amended to adapt their content to the Corporate Governance Recommendations included in the Good Governance Code of Listed Companies approved through a Resolution from the CNMV Board dated 18 February 2015. In particular articles 4, 6, 10, 11, 13, 14, 19, 20, 21, 23, 27 and 28 of the foregoing regulations were modified.<br>Furthermore, at its meeting held on 13 June 2016 the Board of Directors of Abengoa unanimously agreed to amend article 30 of the Board regulations in order to complete the functions of the Investment Committee.<br>Lastly, at its meeting held on 22 November June 2016, the Board of Directors of Abengoa unanimously agreed to amend articles 3, 14, 18, 20, 21, 27 and 28 and to revoke articles 29 and 30 of the Board regulations for the dual purpose of improving the degree of compliance with the recommendations in issues of corporate governance, as well as to adapt their content to the latest version of the by/laws resulting from the amendments approved by the shareholders general meeting held on that same day. |

**C.1.19 Indicate the procedures for the selection, appointment, re-election, evaluation, and removal of directors. Describe the competent bodies, the procedures to be followed, and the criteria applied in each of such procedures.**

The Appointments and Remunerations Committee is the competent body for drafting, insofar as independent directors are concerned, and reporting on, in the case of all other directors, the proposal to be presented to the Board of Directors for appointment by co -opting or for subsequent submission before the General Shareholders meeting, as well as proposals for their re-election or discharge by the General Shareholders meeting, applying criteria of independence and professionalism set out in the Board regulations and the Commission regulations, and ensuring that they hold the recognised creditworthiness and suitable knowledge, prestige and professional experience to perform their duties pursuant to the provisions set out in the director selection policy.

With regards to the procedures for selecting and appointing independent directors, the Appointments and Remunerations Committee is the body in charge of selecting profiles that best represent the needs of the different stakeholders among professionals from different fields and of renowned national and international prestige. The procedure for selecting them is based on the principles of merits and capacity, promoting gender equality and rejecting all kinds of direct or indirect gender discrimination.

Thus, the Appointments and Remunerations Committee performs annual inspections to verify the sustenance of the conditions met for the appointment of a director and the nature and typology assigned to said member, and such information shall be included in the annual report on corporate governance. The Appointments Committee likewise strives to ensure that the selection procedures for filling vacancies refrain from implicit bias that may hinder the inclusion of females that fit the required profile among the potential candidates. Its functions also include reporting to the Board of Directors on appointments, re-elections, terminations and remuneration for senior management, as well as proposing to the Board the general remuneration policy and incentives for Directors and senior management, individual remuneration of Directors, the other contractual terms and conditions of each executive director and the basic contractual conditions for senior management, as well as informing the Board of Directors beforehand on all proposals to be submitted to the General Shareholders meeting for the appointment or dismissal of directors, even in cases of cooptation by the Board of Directors itself.

The performance appraisal of the Board of Directors and its Committees is overseen and organised by the Appointments and Remunerations Committee through substantiated reports filed with the Board during the meeting held in the following first quarter, after the closure of the financial year in question and after the accounting deadline and after issuance of the auditor's report or, at least, its draft, given its importance as assessment criteria. Based on the result of the assessment, the Appointments and Remunerations Committee proposes an action plan for correcting the identified shortcomings.

**C.1.20 Explain the extent to which the self-evaluation of the board has given rise to significant changes in its internal organisation and regarding the procedures applicable to its activities:**

There were no significant amendments made as a result of the annual evaluation of the Board.

| Description of amendments |
|---|
| N/A |

**C.1.20.bis Describe the evaluation process and the areas evaluated by the board of directors, as it may be assisted by an external consultant, regarding diversity in its composition and powers, the operation and composition of its committees, the performance of the chairman of the board and chief executive officer, and the performance and contribution of each director.**

On this report's preparation date the board of directors had not yet completed its annual assessment due to the special circumstances the company, and especially its administrative organ, went through in 2016. The administrative organ focused its attention mainly on negotiating the financial debt restructuring agreement which was finally agreed upon on 24 September 2016. Following the endorsement of the refinancing agreement the entire Board of Directors, including the executive board members, resigned. The current board members, out of which only one is an executive, were appointed in replacement of the preceding by the General Meeting of Shareholders held on 22 November 2016. As the governing body, they are in charge of managing the fulfilment of the terms and conditions of the effectiveness of the refinancing agreement and, in general, henceforth the exercise of the faculties of the company's management and administration. This singular situation, void of continuity in the composition of the organ, explains why the current board of directors, acting on the Appointments and Remuneration Committee's proposal, decided to engage external consultancy in the assessment of the board of directors and its committees, as well as individual board members.

The consultancy for which the external consultant would be engaged, which shall serve as reference for the current board of directors for assessing its functions in the 2016 financial year and initiatives that could improve their functions during the 2017 and subsequent financial years, shall focus, firstly, on analyzing the function of the board and its committees, and for that purpose, requesting information from all board members who may have performed duties in 2016 by obtaining responses from them through questionnaires issued to them with instructions that they must answer questions deemed especially relevant in relation to the functioning of the board; and, secondly, in assessing the participation and the individual performance of each one of the Company's board members, in light of the functions and duties that, based on the

different typologies to which they are ascribed, attributed to them by law and the internal regulations of the Company's corporate governance.

The external consultant shall be independent, and the Appointments and Remunerations Committee shall evaluate and specifically comment on said independence before it is engaged and prior to executing its duties.

The consultant's report, the Appointments and Remunerations Committee's report and the assessment that the administrative body may deduce from them shall be object of consideration and decision in a session of the board of directors prior to the holding of the 2017 ordinary general shareholders meeting

**C.1.20.ter List any business relationships of the consultant or any company of its group with the company or any company of its group.**

N/A

**C.1.21 Indicate the circumstances under which the resignation of directors is mandatory.**

In accordance with the provisions in article 13 of the Board of Directors' regulations, directors are removed from office when the term for which they were appointed comes to an end, and in all other cases deemed appropriate by law, the bylaws or the Board of Directors' regulations.

Directors are obliged to surrender their posts to the Board of Directors and to resign, if the board deems it convenient, in the following cases:

- a) If they fall within any of the grounds for incompatibility or prohibition as prescribed by the law.
- (b) If deemed severely liable by any public authority for infringing upon their obligations as directors.
- (c) If the Board itself requests it so for having infringed upon their obligations as board members.

  In the case of independent directors, the Board cannot ask them to resign prior to elapse of the statutory period for which they were appointed, unless (i) there has been a public takeover bid, a merger or other kind of similar corporate operation that involves a change to the company's share capital, and as a consequence of this there are changes required to the structure of the Board of Directors to maintain the proportionality between proprietary and non-executive directors; or (ii) that there are just grounds in the opinion of the Board following a report from the Appointments and Remuneration Committee.
- (d) When, in the case of proprietary directors, the shareholder they represent transfers all of their shareholding or reduces it to a level that requires a reduction to the number of proprietary directors, in the latter case by the corresponding proportion.
- (e) In those cases where their actions may harm the credit and reputation of the Company.

**C.1.22 Section deleted.**

**C.1.23 Are qualified majorities, different from the statutory majorities, required to adopt any type of decision?**

No

If applicable, describe the differences.

| Description of the differences |
| --- |
| |

**C.1.24 Explain whether there are specific requirements, other than the requirements relating to directors, to be appointed chairman of the board of directors.**

N/A

| Description of requirements |
| --- |
| |

**C.1.25 Indicate whether the chair has the casting vote:**

Yes

| Matters in which there is a casting vote |
|---|
| In the event of ties. |

**C.1.26 Indicate whether the by-laws or the regulations of the board set forth any age limit for directors:**

No

Age limit for chairperson ☐

Age limit for chief executive ☐ Age limit for director ☐

**C.1.27 Indicate whether the by-laws or the regulations of the Board establish any limit on the term of office for independent directors that is different than the term provided by regulatory provisions:**

No

| Maximum number of terms |
|---|

**C.1.28 Indicate whether there are formal rules for proxy-voting at meetings of the board of directors, the manner of doing so, and especially the maximum number of proxies that a director may hold, as well as whether any restriction has been established regarding the categories of directors to whom proxies may be granted beyond the restrictions imposed by law. If so, give brief details.**

Article 10 of the Board of Directors' regulations governs the delegation of voting rights in the following way:

"Members of the Board of Directors may only delegate their representation to another member of the Board. Non-executive directors may only be represented by other non-executive members of the Board of Directors. Representation of absent directors may be granted by means of written communication of any nature addressed to the Chairmanship, which is sufficiently competent to accredit the representation granted and the identity of the represented director."

**C.1.29 Indicate the number of meetings that the board of directors has held during the financial year. Also indicate, where applicable, how many times the Board has met without the Chairman being present: Proxies granted with specific instructions shall be counted as attendance.**

| | |
|---|---|
| Number of meetings of the Board | 32 |
| Number of Board meetings without the Chairman attending | 0 |

If the chair is an executive director, Indicate the number of meetings held without the presence in person or by proxy of any executive director and chaired by the lead independent director

| | |
|---|---|
| Number of meetings | 0 |

Indicate the number of meetings held by the different committees of the board of directors during the financial year:

| | |
|---|---|
| Number of meetings of the executive committee | N/A |
| Number of meetings of the audit committee | 11 |
| Number of meetings of the appointments and remuneration committee | 12 |
| Number of meetings of the appointments committee | N/A |
| Number of meetings of the remuneration committee | N/A |

**C.1.30 Indicate the number of meetings that the board of directors has held during the financial year with the attendance of all of its members. Proxies granted with specific instructions shall be counted as attendance.**

| | |
|---|---|
| Number of meetings with the attendance of all directors | 22 |
| % of attendances of the total votes cast in the year | 68.75 |

**C.1.31 Indicate whether the annual individual accounts and the annual consolidated accounts that are submitted to the board for approval are previously certified:**

No

Identify, if applicable, the person/persons that has/have certified the annual individual and consolidated accounts of the company for preparation by the board:

| Name | Post |
|---|---|
| Enrique Borrajo Lovera | Consolidation Manager |

**C.1.32 Explain the mechanisms, if any, adopted by the board of directors to avoid any qualifications in the audit report on the annual individual and consolidated accounts prepared by the board of directors and submitted to the shareholders at the general shareholders' meeting.**

The risk control system, the internal auditing services and the Audits Committee, to which the others report, are set up as frequent and regular monitoring and supervision mechanisms that prevent and, if appropriate, resolve potential situations which, if not addressed, could lead to incorrect accounting treatment. Thus, the Audits Committee receives regular information from the external auditor on the Audit Plan and on the results of its execution, and ensures that senior management acts on its recommendations.

The Board regulations and the internal regulations of the Audit Committee expressly set out in their articles 27(b) and 3.2, respectively, that the said Committee shall in all cases perform the duty of *"ensuring that the Board of Directors presents the annual accounts to the General Shareholders meeting without limitations or qualifications in the external audit report, and the chairman of the Audit Committee, together with the external auditor, must clearly explain to the shareholders the nature and scope of said limitations or qualifications, if applicable".*

**C.1.33 Is the secretary of the board a director?**

No

If the secretary is not a board member, complete the following table:

| Name or company name of the secretary | Representative |
|---|---|
| Daniel Alaminos Echarri | N/A |

**C.1.34 Section deleted.**

**C.1.35 Indicate the mechanisms, if any, used by the company to preserve the independence of auditors, financial analysts, investment banks, and rating agencies.**

Article 27 of the Board of Directors' regulations establishes that the role of the Audits Committee is to ensure the independence of the external auditor, which includes, among other matters, ensuring that the company and the auditor respect the regulations in force with regard to the provision of services other than those concerning auditing, the limits on the focus of the auditor's services, and in general, other regulations in place to ensure independence of auditors

In any case, every year, the external auditors shall issue the Audit Committee declarations of their independence from the company or companies related directly or indirectly, as well as the information on all kinds of additional services that may have been rendered by said external auditors or persons or companies associated with them pursuant to the accounts auditing regulations and the corresponding fees they may have received thereof.

At the same time, prior to issuing the accounts auditing report, the Committee shall also issue annual reports giving its opinion on the independence of the external auditor.

On the other hand, article 3.16 c.(iv) of the internal regulations of the Audits Committee orders the Audits Committee "to strive to ensure the remuneration of the external auditor for its work without compromising either its quality or independence".

With regards to financial analysts and investment banks, the company has an internal application procedure in place with three tenders for the procurement thereof. The contract is signed through a letter of appointment outlining the exact terms and conditions of the entrusted duty.

Insofar as rating agencies are concerned, at the close of 2016 financial year the Company has a rating from Moody-s and Standard and Poors. In both cases the job was formalized through their corresponding mandate letters.

**C.1.36 Indicate whether the Company has changed the external auditor during the financial year. If so, identify the incoming audit firm and the outgoing auditor:**

No

| Outgoing auditor | Incoming auditor |
|---|---|
| | |

If there has been any disagreement with the outgoing auditor, provide an explanation thereof:

N/A

| Explanation of the disagreements |
|---|
| |

**C.1.37 Indicate whether the audit firm performs other non-audit work for the company and/or its group. If so, indicate the amount of the fees paid for such work and the percentage they represent of the aggregate fees charged to the company and/or its group:**

Yes

| | Company | Group | Total |
|---|---|---|---|
| Fees for non-audit work (in thousands of Euros) | 1.633 | 578 | 2,211 |
| Fees for non-audit work/Total amount invoiced by the audit firm (in %) | 65 % | 4 % | 40 % |

**C.1.38 Indicate whether the audit report on the annual accounts for the prior financial year has observations or qualifications. If so, indicate the reasons given by the chair of the audit committee to explain the content and scope of such observations or qualifications**

No

| Explanation of the reasons |
|---|
| N/A |

**C.1.39 Indicate the consecutive number of years for which the current audit firm has been auditing the annual accounts of the company and/or its group. In addition, indicate the percentage represented by such number of financial years audited by the current audit firm with respect to the total number of financial years in which the annual accounts have been audited:**

| | Company | Group |
|---|---|---|
| Number of consecutive financial years | 5 | 5 |

| | Company | Group |
|---|---|---|
| Number of years audited by the current audit firm / Number of years in which the company has been audited (%) | 0.19 | 0.19 |

**C.1.40 Indicate and, if so, explain whether there are procedures for directors to hire external consultancy services:**

Yes

| Describe the procedure |
|---|
| The Secretary of the Board of Directors performs the duties legally attributed. Currently, the position of secretary and legal adviser are one and the same, and this person is responsible for the valid call to meeting and the adoption of resolutions by the board of directors. In particular, the Secretary of the Board advises Board members on the legality of the deliberations and resolutions proposed and on compliance with the internal rules of corporate governance, which makes this person the guarantor of the principle of formal and material legality, which governs the actions of the Board. As the specialised body tasked with guaranteeing the formal and material legality of the Board's actions, the Secretary of the board has the full support of said board to perform his/her duties with complete independence of criterion and stability, and is also charged with safeguarding the internal regulations of corporate governance. Acting in their position or on behalf of the directors, he or she channels the external advice necessary for the proper formation of the Board.<br>The Board of Directors has access to external, legal or technical consultants, depending on its needs, which may or may not be arbitrated through the Secretary of the Board The second paragraph of Article 19 of the Regulations of the Board of Directors sets out that:<br>*"Through the Chairperson of the Board of Directors, Board Members shall be empowered to submit a proposal by majority to the Board of Directors to engage the services of a legal, accounting, technical, financial, commercial or any other kind of consultants deemed necessary in the interests of the Company to provide assistance in the exercise of their duties in dealing with specific problems of certain magnitude and complexity associated with the exercise of such duties".* |

**C.1.41 Indicate and, if so, explain whether there are procedures for directors to obtain information required to prepare for management-level meetings with sufficient time in advance:**

Yes

| Describe the procedure |
|---|
| Availability of the information before each Board meeting via an online platform that can be accessed by all of the directors. In addition, via this platform directors have access at all times to consult the internal regulations and basic legislation applicable to the role and responsibility of the Director, which offers them sufficient knowledge of the Company and its internal rules, as well as on issues that may be submitted to them for consideration. |

**C.1.42 Indicate and, if so, explain whether the company has regulations that require directors to inform the company and, if applicable, resign in cases in which they could damage the company's prestige and reputation:**

Yes

| Explain the rules |
|---|
| Article 13 of the Board of Directors' regulations sets out the following: *"Directors are obliged to surrender their posts to the Board of Directors and to formalise their resignation, if the board deems it convenient, in the following cases: (a) If they fall within any of the grounds for incompatibility or prohibition as prescribed by law; (b) If deemed severely liable by any public authority for infringing upon their obligations as Directors; (c) If the Board itself requests so due to a Board member having infringed upon his/her obligations as Director [...] (e) In those cases in which the actions thereof may prejudice the prestige or reputation of the Company. For the foregoing purposes, the Directors must inform the Board of Directors of any criminal actions for which they are being investigated as well as of any other legal proceedings in relation thereto. If the Director was to be finally accused of or if a court hearing was set down in relation thereto for any offence set out under commercial legislation, the Board of Directors shall examine the specific case and shall determine whether or not it is appropriate to request the director in question to resign from office".*<br>Section (q) of Article 14 of the same Regulation also establishes the obligation of the directors *"to inform the company of all legal and administrative claims and of any other claims that, given their magnitude, may severely affect the reputation of the company. Accordingly, the directors must notify the Board of Directors of any criminal proceedings for which they are being investigated as well as any other legal proceedings in relation thereto".* |

**C.1.43 Indicate whether any board member has informed the company of being subject to prosecution or an indictment for any of the crimes envisaged in section 213 of the Companies Act:**

No

| Name of director | Criminal Case | Comments |
|---|---|---|
| | | |

Indicate whether the board of directors has analysed the case. If so, provide a duly substantiated explanation of the decision adopted regarding whether or not the director should remain in office or, if applicable, describe the actions taken by the board of directors up to the date of this report or that it plans to take

N/A

| Decision taken / action taken | Reasoned explanation |
|---|---|
| | |

**C.1.44 Describe the significant agreements entered into by the company that go into effect, are amended, or terminate in the event of a change in control at the company as a result of a takeover bid, and effects thereof.**

The Company has not implemented any significant agreements that entered into force, whether amended or expired as a specific result of a change of control in the Company deriving from a takeover bid.

Nevertheless, the company has signed agreements in which change of control clauses are set out, which are not necessarily triggered as a result of a takeover bid. For that purpose "control" is understood as the ability or power (be it by share ownership, power of attorney, contract, agency or any other way) to (i) vote for or control the vote of more than 50% of voting rights that may be exercised in the Company's general meeting; (ii) appoint or dismiss more than 50% or all members of the Company's governing body; or (iii) establish guidelines on the Company's operating and financial policies that must be complied with by administrators or equivalent staff; or ownership of more than 50% of capital in the form of common shares or any other type that, where applicable, hold voting rights. Said agreements may be terminated on the request of creditors in the event of a change of majority control.

Financial agreements that may be signed under the restructuring framework shall also include change of control clauses in the sense referred to in the preceding paragraph..

**C.1.45 Identify on an aggregate basis and provide a detailed description of the agreements between the company and its management level and decision-making positions or employees that provide for indemnities, guarantee or "golden parachute" clauses upon resignation or termination without cause, or if the contractual relationship is terminated as a result of a takeover bid or other type of transaction.**

In the event of the termination of the business contract of the Executive Chairman, Gonzalo Urquijo Fernández de Araoz (except if said termination is due to voluntary resignation, death or incapacity, or the non-performance of his obligations), entitles him to compensation equivalent to two years' fixed and variable salary, and one of the annual payments will be in fulfilment of a non-competition clause.

Elsewhere, senior management contracts for members of the Executive Committee (with the exception of Mr. Gonzalo Urquijo Fernández de Araoz, whose compensation is set out in the previous paragraph), Messrs Fernández de Piérola, Pastor, Jiménez-Blanco, Alaminos and Polo shall be entitled to compensation in the event of termination for an amount equivalent to one year's fixed salary plus variable remuneration, which will be two years in the case of a change of control or succession of the business. There shall be no compensation in the event the termination due to [unilateral termination or severe and culpable non-compliance of obligations by the senior director. Post-contractual non-competition commitment compensation is set as a fixed salary annuity plus variable understood as to be included in the amount of the compensation set forth above, if the need arises. In the event of voluntary termination of the contract by Abengoa, it will be necessary to give 6 months' advance notice and, if this is not fulfilled, the Company will compensate the other party by paying the amount of remuneration for the period not notified.

It should be stated that on 22 November 2016 Mr Fernandez de Piérola Marín resigned as a director, revoking all his functions and powers. On that same date, the Board of Directors appointed him CEO of the Group but agreed to (i) terminate his contract as executive director; and (ii) to sign a new contract in his capacity as CEO, a contract containing the indemnity clauses already described. In view of the above, since the relationship between the Company and Mr Fernández de Piérola has continued, no severance compensation has accrued.

| Number of beneficiaries | 7 |
|---|---|
| **Type of beneficiary** | **Description of the agreement** |
| Executive Chairman | See previous paragraph |
| CEO | |
| General Secretary | |
| Finance Director | |
| Director of Human Resources | |
| Director of Strategy | |
| Forma Executive Chairman | |

Indicate whether such agreements must be reported to and/or approved by the decision-making bodies of the company or its group:

| | Board of directors | General shareholders' meeting |
|---|---|---|
| Body that authorises the clauses | Yes | No |

| | YES | NO |
|---|---|---|
| Is the general meeting informed of the clauses? | X | |

## C.2 Committees of the board of directors

**C.2.1 Describe all of the committees of the board of directors, the members thereof, and the proportion of executive, proprietary, independent, and other external directors of which they are comprised:**

Executive or delegated committee

| Name | Post | Current |
|---|---|---|
| | | |
| | | |
| | | |

| | |
|---|---|
| % of executive directors | |
| % of proprietary directors | |
| % of independent directors | |
| % of other external directors | |

Explain the duties assigned to this committee, describe the procedures and rules of organisation and operation thereof, and summarise the most significant activities thereof during the year.

N/A

Indicate whether the composition of the executive committee reflects the participation of the different directors within the board based on their class:

N/A

| If the answer is No, explain the makeup of your Executive Committee |
|---|
| |

## Audit committee

| Name | Post | Current |
|---|---|---|
| José Wahnon Levy | Chairman | Independent |
| José Luis del Valle Doblado | Member | Independent |
| Manuel Castro Aladro | Member | Independent |

| | |
|---|---|
| % of proprietary directors | 0 |
| % of independent directors | 100 |
| % of other external directors | 0 |

**Explain the duties assigned to this committee, describe the procedures and rules of organisation and operation thereof, and summarise the most significant activities thereof during the year.**

In accordance with Articles 44 of the bylaws and 27 of the Board of Directors regulations, the Audit Committee shall be exclusively made up of External Directors appointed by the Board of Directors; most of whom must be independent directors. All of them, being members of the Committee shall appointed in light of their knowledge and experience in accounting, auditing or risks management, and at least, considering their knowledge and experience in accounting, auditing or both. The Board of Directors shall appoint the Committee Chairperson from amongst the independent board members within the committee. The post of Audit Committee Chairperson shall be held for a maximum of four years, after which he/she shall not be eligible for re-election as such for at least one year from the date of extinction, notwithstanding his/her continuation or re-election as member of the Committee.

The function of the Audits Committee is governed by the Company's bylaws, the Board of Directors regulations and the internal regulations of the Audit Committee itself.

The Audits Committee shall meet whenever necessary to carry out their duties or once every quarter, at least. The Committee shall also meet whenever convened by the Chairman, on his own initiative or at the request of any of the members, who may also suggest that the Chairman include a certain issue in the agenda of the following meeting,

The agreements established by the Audit Commission will be adopted in a fair fashion when the majority of the members present or represented in the meeting vote in favour thereof. In the event of a tie, the Chairman shall have the casting vote.

The following duties, among others, are assigned to the Audit Committee:

1. To report on the annual accounts, as well as on the quarterly and half-yearly financial statements that must be issued to the regulatory or supervisory bodies of the securities markets, with express mention of the internal control systems, verification of compliance and monitoring through internal audit and, when applicable, on the accounting criteria applied.
2. To ensure that the Board of Directors presents the accounts to the General Shareholders meeting without any limitations or qualifications in the external audit report, and the Chairman of the Audit Committee, together with the external auditor, must clearly explain to the shareholders the nature and scope of said limitations or qualifications, if applicable.
3. To inform the Board of Directors of any change in the accounting criteria, and any risks either on or off the balance sheet.
4. To inform the Board of Directors on monitoring the budget, the undertakings to increase and reduce financial borrowing, monitoring of the financial deleveraging policy and the dividend distribution policy and any amendments to these.
5. To inform the General Shareholders meeting about any matters or questions that arises on issues within its power.
6. To propose the appointment of external accounts auditors to the Board of Directors for subsequent submission before the General Shareholders meeting.
7. To supervise the internal audit services, which will functionally depend on the Committee Chairman. The Commission will have full access to internal auditing and will report on the selection, dismissal, renewal and removal process of its director, on the setting of his/her salary scale, as well as the budget for this department
8. To supervise the internal functions of control and risks management.
9. To know the process of financial information and of the systems of internal control of the Company.
10. To liaise with the external auditors in order to obtain information on any matters that could jeopardize their independence and on any other matters that may be in relation to the financial auditing process.
11. To summon the directors it deems appropriate to the meetings of the Committee to report on issues to the extent the Audit Commission deems fit.
12. To prepare an annual report on the activities of the Audit Committee and to include it in the management report.
13. Issue annual reports on operations with associated parties, which be publicly displayed on the Company's web page prior to the Ordinary Shareholders meeting
14. Supervise compliance with corporate governance regulations, the internal code of conduct on aspects of the stock market and other internal codes of conduct and the corporate social responsibility policy.

15. With respect to internal control and reporting systems:
    (a) To monitor the preparation process and the integrity of the financial reporting with regard to the Company and, where applicable, the group of which Abengoa is parent company (hereinafter, the "Group"), verifying compliance with legal requirements and the correct application of accounting criteria, and appropriately specifying the scope of consolidation.
    (b) To periodically review the internal control and risk management systems so that the main risks, including those of a tax nature, are identified, managed and properly disclosed, as well as to discuss significant shortcomings of the internal control system identified in the audit with the financial auditor.
    (c) To supervise and ensure the independence and effectiveness of the duties of internal audits, with full access thereto; to propose the selection, appointment, re-selection and dismissal of the head of internal audits; to propose the budget for said unit, and set the salary scale of its Director; to obtain the annual work plan together with incidents that may have occurred during the execution; approve the orientation and the work plans ensuring that the activity is focused mainly on the relevant risks of the Company, to obtain periodical information on said activities including a report at the end of each financial year, and information on the activities and the budget of the unit; and to ensure that senior management consider the conclusions and recommendations in its reports.
    (d) To establish and supervise a mechanism by which the staff may confidentially and, if necessary, anonymously report any irregularities, especially those of a financial or accounting nature, detected in the course of their duties, with potentially serious implications for the company.
    (e) To summon any Company employee or manager, and even order them to appear without the presence of any other senior officer.
    (f) The Audit Committee shall inform the Board, prior to the latter adopting the corresponding decisions, about the following matters:
        (i) The financial information that all listed companies must periodically disclose. The Committee must ensure that interim financial statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.
        (ii) The creation or acquisition of shares in special purpose entities or entities resident in countries or territories considered tax havens, and any other similar transactions or operations which, due to their complexity, might impair the transparency of the Group.
        (iii) Related-party transactions
    (g) To supervise compliance with the Internal Code of Conduct in relation to the Securities Market and the Policy on the Use of Relevant Information and the rules of corporate governance

16. With regards to the external auditor
    (a) To propose the selection, appointment, re-selection and replacement of the external auditor, including the conditions of their hiring, to the Board of Directors to submit said proposal to the General Shareholders meeting for approval.
    (b) To be regularly informed by the external auditor on the progress and findings of the audit plan and to ensure that senior management follow up on its recommendations
    (c) To make sure the external auditor remains independent and, for that purpose:
        (i) The Company should notify the National Securities Market Commission of any change of auditor as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for these.
        (ii) The Committee must ensure that both Company and auditor respect the current regulations on providing services other than auditing, the limits on the focus of the auditor's services and, in general, other standards and regulations set out to ensure the independence of auditors
        In any case, every year the Committee should receive from external auditors the declaration of their independence from the Company or companies with a direct or indirect connection thereto, as well as information on additional services of any kind provided and the corresponding fees received from these companies by the external auditor or by the individuals or companies with a connection thereto in accordance with the provisions set out in legislation on financial auditing.
        (iii) If an external auditor resigns, the Commission must investigate the circumstances leading to the resignation.
        (iv) To ensure that the remuneration of the external auditor in return for its work does not compromise either its quality or independence.
    (d) To issue every year, prior to the issuance of the financial auditing report, a report stating the judgment on the independence of the financial auditor. This report should always state the value of the additional services provided and referred to in previous section (c).(ii), individually and consolidated, different to the legal audit and with regard to the independent status or to the governing auditing regulations.
    (e) To ensure that the Group's auditor is entrusted with conducting the audits for the individual group of companies
    (f) To ensure that the external auditor holds yearly meetings with the entire Board of Directors to inform them on the work done and on the progress of the accounting situation and the risks of the Company

**The main interventions of the Audit Committee were as follows:**

› Preparation of Abengoa's individual and consolidated accounts of its group for the 2015 financial year.

- Approval of the financial information for the second half of the 2015 financial year.
- Approval of the financial information for the intermediate periods of 2016 remitted to the CNMV
- Follow-up on the works carried out in the framework of the restructuring process.
- Approval of the feasibility plan prepared by Alvarez & Marsal as part of the restructuring process started and motivated by situation 5 bis.
- Identification and follow-up on the financial risks of the Company in light of the preparation of the 2016 Financial Statement.
- Approval of the verification Works undertaken by the external auditor
- Monitoring of accounting impacts derived from the restructuring agreement.

**Identify the director of the audit commission who has been appointed in light of his/her knowledge and experience in accounting, auditing or both, and indicate the number of years that the Chairman of this committee has been carrying out the role.**

| Name of director with experience | José Wahnon Levy |
|---|---|
| Number of years in chairman role | 0 |

## Appointments and remuneration committee

| Name | Post | Current |
|---|---|---|
| Pilar Cavero Mestre | Chairwoman | Independent |
| Javier Targhetta Roza | Member | Independent |
| Ramón Sotomayor Jáuregui | Member | Independent |

| | |
|---|---|
| % of proprietary directors | 0 |
| % of independent directors | 100 |
| % of other external directors | 0 |

**Explain the duties assigned to this committee, describe the procedures and rules of organisation and operation thereof, and summarise its most significant activities during the year.**

This Committee shall comprise at least three directors, designated by the Board of Directors, at the Committee's proposal. All members of the Committee shall be non-executive directors, at least two of whom must be independent directors.

Pursuant to Articles 44 bis of the bylaws and 28 of the Board of Directors regulation, the Audits Committee shall exclusively compose of external directors appointed by the Board of Directors, the majority of whom shall be independent board members, making sure of their knowledge, aptitudes and the sufficient experience for the duties they may be entrusted. The Board of Directors shall appoint the chairperson of the Committee from amongst the independent board members in the committee.

The duties of the Appointments and Remunerations Committee shall be governed by the Company's bylaws, the Board of Directors regulations and the internal regulations of the Committee itself.

The Appointments and Remuneration Committee shall meet whenever necessary to carry out its duties, and at least once every six months. The Committee shall also meet whenever convened by the Chairman, on his own initiative or at the request of any of the members, who may also suggest that the Chairman include a certain issue in the agenda of the following meeting,

The agreements established by the Committee shall be valid when the majority of members present or represented in the meeting vote in favour thereof. In the event of a tie, the Chairman shall have the casting vote.

Its duties include the following:

1. To present proposals before the Board of Directors to appoint independent directors by co-opting or for submission for approval before the General Shareholders meeting, as well as proposals for their re-election or discharge by the General Shareholders Meeting.
2. To present proposals to appoint all other Directors by co-opting or for submission for approval before the General Shareholders Meeting, as well as proposals for their re-election or discharge by the General Shareholders Meeting.
3. To prepare an annual report on the activities of the Appointments and Remuneration Committee, to be included in the management report.
4. To assess the competencies, knowledge and experience required on the Board, define the aptitudes and capabilities required of the candidates to fill each vacancy and assesses the time and dedication required for them to properly perform their duties.

5 To examine and organise the succession of the Chairman of the Board of Directors and the Chief Executive of the Company and, where necessary, make proposals to the Board of Directors to ensure the planned and orderly fashion of said succession.
6. To report on the proposed appointments and dismissals of top executives when the highest executive proposes it to the Board of Directors and on the basic terms and conditions of their contracts.
7. To report issues of gender diversity to the Board. To establish a representation target for the least represented sex on the Board of Directors of the Company and to draft guidelines on how to achieve this target.
8. Propose the following to the Board of Directors:
   (i) The remuneration policy for directors, general directors or those with executive responsibilities reporting directly to the Board, and for executive committees or Chief Executives, for approval by the Company's General Shareholders meeting, and to periodically revise said policy and to ensure that the individual remuneration for each of them is proportional to what is paid to the other board members and managing directors of the Company.
   (ii) The individual remuneration of directors and the other contractual conditions of each executive director.
   (iii) The basic conditions of the contracts for senior management.
9. Ensure adherence to the remuneration policy of directors approved by the Company's General Shareholders Meeting.
10. Check with the Chairman or CEO of the Company, in particular when these are issues associated to Executive directors or senior management.
11. Organise, oversee and report on the annual performance appraisal of the Board of Directors and its committees and propose, based on the result of the appraisal, a plan of action to correct the identified shortcomings.
12. Analyse requests formulated by any director to take into consideration potential candidates to cover board vacancies.
13. Monitor and ensure the independence of the external consultant who, every three years, will assist the Board in its annual performance evaluation.
14. In those cases where this Committee obtains external advice to ensure that any conflicts of interest does not impair its independence.
15. Verify compliance with the director selection policy and report the findings to the Board of Directors.
16. Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration report.
17. Verify that the annual corporate governance report (i) provides an explanation on why proprietary directors appointed at the request of shareholders whose shareholding interest is less than 3 % of the capital, and (ii) sets out the reasons why, if appropriate, formal requests were rejected for a presence on the board from shareholders whose shareholding interest is equal to or higher than those whose request the proprietary directors were designated.

In 2016, the main interventions of the Appointments and Remunerations Committee were as follows:

- Proposal of the basic terms and conditions of contracts for top executives
- Approval of the remunerations policy for the company's top executives.
- Report on the termination of Mr. José Domínguez Abascal, the Executive Chairman.
- Favourable report on the proposal to appoint Mr. Antonio Fornieles Melero as Executive Chairman and Board of Directors Chairman
- Favourable report on the proposal to appoint Mr. Joaquín Fernández de Piérola Marín as Chief Executive Officer.
- Favourable report on the appointment of Inayaba S.L., represented by Ms. Ana Abaurrea Aya, as independent director in replacement of Mr. José Luis Aya Abaurre
- Favourable report on the proposal to appoint Ms. Alicia Velarde Valiente as Second Vice-Chairlady of the Board of Directors.
- Favourable report on the proposal to appoint Mr. Joaquín Fernández de Piérola Marín as First Vice-Chairman of the Board of Directors.
- Proposal on the business agreements of the Executive Chairman Mr. Antonio Fornieles Melero and of the CEO Mr. Joaquín Fernández de Piérola Marín.
- Favourable report on the Annual Report on Board members Remunerations.
- Approval of the Annual Report of the Appointments and Remunerations Committee
- Submission of the results of the annual assessment of the performance of the Board of Directors and its Committees to the Board of Directors for approval
- Favourable report on the Policy for the Selection of Board of Directors.
- Propose the Second Vice-Chairlady and Coordinating Board member's remuneration to the Board of Directors
- Propose the re-selection of Mr. Martínez Rico as independent board member of the Board of Directors, to the Board of Directors
- Propose the re-selection of Ms. Velarde Valiente as independent board member of the Board of Directors, to the Board of Directors
- Favourable report on the proposal of the Board of Directors' decision on proposing to the General Shareholders meeting to ratify the appointment of Messrs. Joaquín Fernández de Piérola Marín and Inayaba S.L. represented by Ms. Ana Abaurrea Aya.
- Proposal for the appointment of Messrs. Manuel Castro Aladro, José Luis del Valle Doblado, José Wahnon Levy, Ramón Sotomayor Jauregui, Javier Targhetta Roza,
- Gonzalo Urquijo Fernández de Araoz and Pilar Cavero Mestre as new board members
- Proposal to the Board of Directors with regard to Contracts of executive directors and senior officers.
- Reports to the Board on the appointment of Senior Officers.
- Proposal to the Board of Directors on remuneration of new directors until the next General Meeting.

**C.2.2 Complete the following table with information regarding the number of female directors comprising the committees of the board of directors for the last four financial years:**

| | Number of female directors: | | | |
|---|---|---|---|---|
| | Financial year 2016 Number % | Financial year 2015 Number % | Financial year 2014 Number % | Financial year 2013 Number % |
| Executive committee | N/A | N/A | N/A | N/A |
| Audit committee | 0 (0) | 2 (50) | 2 (66.66) | 2 (40) |
| Appointments and remuneration commission | 1 (25) | 2 (50) | 2 (66.66) | 2 (40) |
| Appointments committee | N/A | N/A | N/A | N/A |
| Remunerations committee | N/A | N/A | N/A | N/A |

**C.2.3 Section deleted.**

**C.2.4 Section deleted.**

**C.2.5 Indicate, if applicable, the existence of regulations of the board committees, where such regulations may be consulted, and the amendments made during the financial year. Also indicate if any annual report of the activities performed by each committee has been voluntarily prepared.**

Both the Audits Committee and Appointments and Remunerations Committee have their own internal operating regulations available on the Company's website.

The last amendment to both texts during the financial year took place on 30 March 2016 for the purpose of reflecting the same amendments previously operated in the Board Regulations to adapt its content to the recommendations of the Good Governance Code of Listed Companies approved through the Resolution of the Board of the CNMV on 18 February 2015.

These Committees prepare their own annual report on activities. The reports prepared for the 2015 financial year were made available to shareholders together with the call for the Ordinary General Shareholders Meeting held on 30th June 2016. In addition, that of the Audits Committee was published as part of the annual report for the 2015 financial year.

**C.2.6 Section deleted.**

# D. Related-party transactions and intragroup transactions

## D.1 Explain any procedures for approving related-party and intra-group transactions.

| Procedure for reporting the approval of related-party transactions |
|---|
| The procedure for the approval of operations with associated parties is outlined in Articles 44 and 44 bis of the bylaws, and 4 and 27 of the Board of Directors regulations. |
| Before the Board of Directors takes the relevant decisions, the audit committee must inform said Board of the transactions with related parties. |
| Upon prior receipt of the Audit Committee report, the Board of Directors is required to approve the transactions carried out between the Company or companies in its group with directors, or with shareholders, individually or in partnership with others, involving a share legally considered as significant, including shareholders represented on the Company's Board of Directors or the Board of Directors of other companies belonging to the same group or with related parties. |
| The affected directors or those representing or connected to affected shareholders should abstain from the deliberation and voting process of the agreement in question. Only transactions that simultaneously meet the following three characteristics shall be exempt from this approval: |
| (i) (i) They are governed by standardised agreements applied on across-the board bases to a high number of clients; |
| (ii) they go through at prices or rates generally set by the person supplying the goods or services; and |
| (iii) their amounts do not exceed 1% of the company's annual revenue. |
| Only in duly justified emergency situations may decisions on previous matters be adopted by the delegates or individuals. Such decisions shall be ratified in the first Board meeting that is held following the adoption thereof |
| The Audits Committee shall prepare an annual report on the operations with associated parties, which shall be made public through the Company's web page prior to the Ordinary General Shareholders Meeting. |

## D.2 Describe those transactions that are significant due to the amount or subject matter thereof between the company or entities of its group and the company's significant shareholders:

| Name or corporate name of significant shareholder | Name or corporate name of the company or entity of the group | Nature of the relationship | Type of transaction | Amount (thousands of Euros) |
|---|---|---|---|---|
| N/A | N/A | N/A | N/A | N/A |

## D.3 Describe those transactions that are significant due to the amount or subject matter thereof between the company or entities of its group and the company's directors or officers:

| Name or corporate name of the directors or executives | Name or corporate name of the related party | Connection | Nature of the transaction | Amount (thousands of Euros) |
|---|---|---|---|---|
| Javier Benjumea Llorente | Blanca de Porres Guardiola | Spouse of Felipe Benjumea Llorente, brother of Javier Benjumea Llorente | Technical consultancy contract for the optimisation of CPA catering services between the company of the Simosa Group and Blanca de Porres Guardiola, contract that ended in 2016 but not renewed | 95 |
| Ricardo Martínez Rico | Equipo Económico, S.L. | Chairman of Equipo Económico, S.L. | Integral and strategic consultancy service agreement signed between Equipo Económico, S.L., Abengoa S.A., Abengoa Concessions, S.L. and Abeinsa Ingeniería y Construcción Industrial, S.A. | 90 |
| Felipe Benjumea Llorente | Felipe Benjumea Llorente | Former Executive Chairman and brother of an Executive Director | Consultancy agreement signed on 23 September 2015 between Felipe Benjumea Llorente and Abengoa, S.A. valid until 31 December 2016. | 1,086<br>During the 2016 financial year, there were no amounts invoiced pursuant to this agreement. |

See Section H "Other Information of Interest"

## D.4 Report the significant transactions made by the company with other entities belonging to the same group, provided they are not eliminated in the preparation of the consolidated accounts and they are not part of the ordinary course of business of the company as to their purpose and conditions.

In any case, report any intra-group transaction with entities established in countries or territories considered to be tax havens:

| Corporate name of entity of group | Brief description of the transaction | Amount (thousands of Euros) |
|---|---|---|

## D.5 Indicate the amount of transactions with other related parties.

| Corporate name of entity of group | Brief description of the transaction | Amount (thousands of Euros) |
|---|---|---|
| EIG Global Energy Partners | Abengoa waives all rights it have over its investment in APW-1, with regards to its shares and credits it may hold with it, | 375 millions of Euros |
| Atlantica Yield | The Company's recognition of a liability as a result of the impossibility of the preferred shares to comply with the terms and conditions in certain transmission lines in Brazil (ACBH) signed in 2014 financial year. | 95 millions of Euros |
| Rioglass Solar | Conversion of convertible loan, entered into at close of 2015 financial year with the minority partner, Rioglass Laminar, by virtue of which it was given control of said company. | 82 millions of Euros |

## D.6 Describe the mechanisms used to detect, determine, and resolve potential conflicts of interest between the company and/or its group, and its directors, officers, or significant shareholders.

In accordance with the provisions of the Board of Directors' Regulations, Directors are obliged to inform the Board of any situation of potential conflict in advance, and to abstain until the conflict is resolved.

## D.7 Is more than one company of the group listed in Spain?

No

**Identify the subsidiary companies that are listed in Spain:**

Not Applicable

| Listed subsidiary companies |
|---|
| |

**Indicate whether they have publicly and accurately defined their respective areas of activity and any possible business relationships among them, as well as those between the listed dependent company and the other companies within the group:**

Not Applicable

| Describe the possible business relationships between the parent company and the listed subsidiary, and between the subsidiary and the other companies within the group: |
|---|
| See Section H "Other Information of Interest" |

**Identify the mechanisms established to resolve possible conflicts of interest between the listed subsidiary and the other companies within the group:**

Not Applicable

| Mechanisms for the resolution of possible conflicts of interest |
|---|
| |

# E. Risk control and management systems

## E.1 Explain the scope of the company's Risk Management System, including the system for managing tax risks.

Abengoa's Risk Management System is a global and dynamic system. The scope of action of this system covers the entire organization and its whereabouts on a more permanent basis, and compliance with it is compulsory for all the company's employees, managers and directors. It works comprehensively and continuously, consolidating this management according to the area, business unit or activity, subsidiaries, geographical areas and support areas at corporate level.

Abengoa's risk management system is designed to mitigate all the risks to which the company may be exposed as a result of its activities. The structure of Abengoa's risk management is based on three pillars:

- The common management systems specifically designed to mitigate business risks.
- Internal control procedures aimed at mitigating risks derived from the elaboration of the financial report and at improving the reliability of such report, designed in accordance with the SOX Act (Sarbanes-Oxley Act).
- The universal risk model which is the methodology that Abengoa uses to identify, understand and assess the risks that affect the company. The purpose is to obtain an integral vision of them, designing an efficient system of response that is in line with the business objectives.

These elements form an integrated system that allows for appropriate management of the risks and their mitigating controls at all the levels of the organisation.

The internal auditing unit is in charge of ensuring compliance with and the proper functioning of these systems.

See section H "Other Information of Interest" at the end of the report

## E.2 Identify the decision-making bodies of the company responsible for preparing and implementing the Risk Management System, including the system for managing tax risks.

The determination of the risk control and management policy, including tax risks and the supervision of internal reporting and control systems, is a faculty of the Board of Directors of Abengoa that cannot be delegated, in compliance with the provisions set out in the Spanish Companies Act.

The duty of elaborating and executing the Risks Management System is basically exercised by the Audits Committee, specifically through the internal auditor and the risks manager.

The risks manager is in charge of analysing projects and businesses in aspects regarding the identification and quantification of risks of any nature.

Meanwhile, the internal audit department is in charge of supervising and ensuring the correct functioning of the Risks Management System.

## E.3 Point out the principal risks, including tax risks, that could affect the achievement of business goals.

In the process of identifying, understanding and assessing the risks affecting the company, the following risks factors have been considered:

### General risks

- Abengoa operates in a sector of activity especially associated to the economic cycle.
- Risks derived from depending on regulations in support of activities relating to renewable energy, bioethanol production and also research-and-development-related activities
- Solar power generation.
- Biofuel consumption.
- Risks derived from the sensitivity entailed in the supply of raw materials for biofuel production and the volatility of the price of the end product.
- Risks derived from delays and cost overruns in activities of an engineering and construction nature due to the technical difficulties of the projects and the lengthy duration of their execution.

- Risks associated to the activities of concession-type infrastructural projects operating under regulated tariffs or extremely long-term licence agreements.
- Income derived from long-term agreements: risks derived from the existence of clauses and/or renewal of licence agreements processed by Abengoa, termination of pending engineering and construction projects and non-renewals of biofuel distribution agreements.
- The variations in the cost of energy may have a negative impact on the company results.
- Risks derived from the development, construction and exploitation of new projects.
- Abengoa's activities may be negatively affected in the event that public support for such activities diminishes.
- Construction projects regarding the engineering and construction activities and the facilities of concession-type infrastructural and industrial production activities are dangerous places of work.
- Risks derived from joining forces with third parties for the execution of certain projects.

### Specific risks for Abengoa

- Risks derived from the shareholders' equity situation.
- Risk associated with the possibility that Abengoa requests an arrangement with creditors in the event that the Company does not completely financial restructuring.
- Risks related to the ability to comply with the feasibility plan.
- Risks related to the liquidity needs of Abengoa in the short- and medium-term.
- Risks related to the impossibility of completing the divestiture plan.
- Risks relating to the sale of the stake or the loss of control of Atlantica Yield.
- Abengoa operates with high levels of borrowing.
- Risks arising from the need to generate positive cash flows.
- Risks derived from the demand for capital intensive investments in fixed assets (CAPEX), which increases the need for external finance for the execution of pending projects.
- Risks arising from Abengoa's dividend policy.
- The company has a controlling shareholder.
- The results of the engineering and construction activity depend significantly on the growth of the company in the concession-type infrastructural and industrial production activities.
- Fluctuations in interest rates and their hedging may affect the results of the company.
- Fluctuations in the currency exchange rates and their hedging may affect the results of the company.
- Risk of litigation and other legal proceedings.

### Risks derived from internationalisation and from country risks

- Abengoa's activities fall under multiple jurisdictions with various degrees of legal demands requiring the company to undertake significant efforts to ensure its compliance with them.
- Insurance coverage underwritten by Abengoa may be insufficient to cover the risks entailed in the projects, and the costs of the insurance premiums may rise.
- The activities of the company may be negatively affected by natural catastrophes, extreme climate conditions, unexpected geological conditions or other physical kinds of conditions, as well as by terrorist acts perpetrated in some of its locations.

## E.4 Identify whether the entity has a risk tolerance level, including one for tax risk.

Abengoa has a risk tolerance level established at corporate level.

The universal risks model is a tool used for identifying and evaluating all risks affecting Abengoa. All the risks contemplated therein are evaluated considering probability and impact indicators.

Based on such parameters, the risks are classified as follows:

- Minor risks: risks that occur frequently but bear little economic impact. These risks are managed to reduce their frequency only if managing them is economically viable.
- Tolerable risks: risks that occur infrequently and bear little economic impact. These risks are monitored to ensure that they remain tolerable.
- Severe risks: frequent risks that bear extremely high impact. These risks are managed immediately although, due to the risk management processes implemented by Abengoa, it is unlikely that Abengoa needs to tackle these types of risks.
- Critical risks: risks that occur infrequently but bear extremely high economic impact. These risks have a contingency plan because, when they arise, their impact is extremely high.

## E.5 Indicate what risks, including tax risks, have materialised during the financial year.

Abengoa endured certain risks during the 2016 financial year, the most significant of which are described below.

Abengoa's activities are mainly centred in the fields of energy and the environment. These activities unfold in a continuously changing environment, with regulations, subsidies or tax incentives that can suffer changes or that can even be legally challenged. Passed financial years have witnessed various regulatory modifications in jurisdictions within which Abengoa operates (mainly in the United States and Brazil) in connection, mainly, with activities having to do renewable energy generation and with biofuel production. Such regulatory modifications have severely affected the profitability of current and future projects of Abengoa, in the conditions in which it competes with non-conventional forms of renewable and other types of energy, and in its capacity to complete some ongoing projects.

Thus, given the financial difficulties that the Company went through in the second half of 2015 as a result of, inter alia, limited access to capital markets, in September 2015 the Company initiated a process of negotiation with its creditors to reach an agreement that would guarantee its financial feasibility. For these purposes, and to ensure stability in the period of negotiations, the Company submitted the communication provided for in Article 5 bis of the Bankruptcy Act on 25 November 2015 to the Commercial Court of Seville. The deadline for reaching an agreement with the creditor banks concluded on 28 March 2016, the date on which the Company filed a standstill agreement with the Commercial Courts of Seville, for judicial approval and endorsement. The aim was to provide the time necessary for reaching a full and complete agreement for the restructuring of its financial debt and the recapitalisation of the Group. This standstill agreement, which granted a delay in meeting financial obligations until 28 October 2016, was judicially approved on 6 April 2016 and its effects extended to dissident creditors.

On 24 September 2016, within the period granted by virtue the standstill agreement, the Company, several companies of the Group and a group of financial creditors signed and notarized the restructuring contract in a deed that was executed by the Notary Public of Madrid, José Miguel García Lombardía. Among other issues, this agreement regulated the terms and conditions of the restructuring of the financial debt of the Group and certain financial institutions undertook to provide new funding. This restructuring agreement was made available to financial creditors and, after the initial period of adhesions, it received support from 86% of financial creditors to whom it was addressed. On 28 October 2016, a group of financial creditors asked the Commercial Courts of Seville for judicial approval of the agreement, an approval that was granted on 8 November 2016, extending the effects of the agreement to dissident creditors.

In accordance with the provisions of the restructuring agreement, the closing of the deal and the entry of new financing were subject to compliance with a number of conditions precedent. The deadline for compliance with these conditions and closure of the deal is 28 February 2017, although said date has been extended to 22 March 2017

The agreement was challenged by a number of financial creditors and as at the date of issuance of this report said challenges have not yet been resolved.

## E.6 Explain the plans for responding to and supervising the entity's main risks, including tax risks.

There is a specific action plan in place for each of the risks identified, which could encompass various departments of the company.

Committees are in charge of the executive supervision of the company's main risks, with the most relevant in 2016 being:

- Follow-up Committee.
- Management Committee.
- Business Unit Committee

*The new Board of Directors, appointed at the Extraordinary General meeting on 22nd November 2016, approved a corporate structure of the company which shall be set up two Committees: an Executive Committee and a Management Committee.

# F. Internal risk control and management systems in connection with the process of issuing financial information (ICFRS)

Describe the mechanisms making up the risk control and management systems with respect to the process of issuing the entity's financial information (ICFRS).

## F.1 Control environment at the entity

Indicate at least the following, specifying the main features thereof:

**F.1.1. What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective internal control over financial reporting system (ICFRS); (ii) its implementation; and (iii) its oversight.**

The System of Internal Control over Financial Reporting, (hereinafter, SICFR), is part of Abengoa's general system of internal control and is set up as a system prepared to provide reasonable assurance of the reliability of the published financial report. The body in charge of it, pursuant to the Regulations of Abengoa's Board of Directors, is the Board of Directors and, within it, the duty of supervision is conferred on the Audits Committee in accordance with its own regulations.

Thus, the Board of Directors is in charge of setting up and maintaining a compulsory Audit Committee as inferred from Article 27 of the Board Regulations.

According to the foregoing Article, the functions entrusted by the Board of Directors to the Audit Commission, with regard to the SICFR, entail: "Monitoring the preparation process and the integrity of the financial report concerning the Company and, where applicable, the group of which Abengoa is parent company (hereinafter, the "Group"), verifying compliance with legal requirements and the correct application of accounting criteria, and appropriately specifying the scope of consolidation".

Additionally, and in accordance with the same Article, included among the functions of the Board and, by delegation, the Audit Committee, is that which entails "Periodically revising the internal control and risk management system so that the main risks, including those of a fiscal nature, are identified, managed, and properly disclosed, as well as discussing significant shortcomings of the internal control system identified in the audit with the financial auditor".

**F.1.2 Whether any of the following are in place, particularly as regards the financial information preparation process:**

Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of work and duties; and (iii) ensuring that there are sufficient procedures for the proper dissemination thereof at the entity.

As stipulated by the Board of Directors' Regulations, it is in charge of:

- Defining the structure of the Group of companies;
- At the proposal of the company's chief executive, the appointment and possible dismissal of senior executives, as well as establishing the basic conditions of their contracts, including their remuneration and, where applicable, their compensation clauses.
- The core components of its mission should be to approve the company's strategy and the organization required for its execution, and to ensure that management attains the objectives while pursuing the company's interests and corporate purpose.
- Through the relevant departments, strive for the correct and integral announcement of the relevant information regarding the company including but not limited to that related to the call for the General Shareholders Meeting, its agenda and contents of the proposed agreements, relevant facts, agreements adopted by the last general meeting held, the internal regulations of corporate governance and the Annual Report. The means of communication will be the most adequate for ensuring that unrestricted announcements are made and in a timely manner, including the Company's webpage.

Code of conduct, body of approval, degree of publication and instruction, principles and values including (indicating whether there is specific mention of the recording of transactions and the elaboration of the financial report), body in charge of analysing breaches and of proposing the corrective actions and sanctions.

Abengoa has a code of ethics and professional conduct approved by the Board of Directors. It is published on the Intranet in both Spanish and English, and it outlines the ethical and responsible behaviour that must be assumed in the execution of company activities and in managing the businesses, by the management team and all the professionals of Abengoa and its subsidiaries. Abengoa runs a continuous on-the job training programme in which Code of Conduct courses are given. It is compulsory for all employees to attend these courses and to show proof by signing attendance sheets; meanwhile the company ensures that all Abengoa employees have received and understood said information.

In 2016 a total of 260,441 training hours were given throughout the Group, with the attendance of 9,132 employees.

Abengoa's code of conduct:

- The highest standards of honesty and ethical behaviour, including appropriate and ethical procedures for dealing with actual or possible conflicts of interests between professional and personal relationships.
- The most complete, just, precise, timely and intelligible communication in all periodic reports that Abengoa must submit to the bodies of Administration or in all reports that may be made.
- Compliance with the applicable laws, standards, rules and regulations.
- The tackling of actual or possible conflicts of interests and providing guidance to ensure that employees, managers and directors report such conflicts to Abengoa.
- The interruption of the poor use or poor application of Abengoa's properties and business opportunities.
- The maximum level of confidentiality and fair treatment in and outside Abengoa
- The immediate internal reporting of any breach of said Code of Conduct and the appropriate reporting of all illegal behaviour.

All information made public and all media releases deemed to be affecting Abengoa must first be approved by the Board of Directors or by the Board Chairman, or any executive who may already have been entrusted with performing such duty.

Its appropriate follow-up is a source of profitability and security in the execution of the activities of Abengoa. These regulations ensure the veracity and reliability of the financial report.

The Board of Directors and, by virtue thereof, its Chairman, the established committees, executive committees or, in turn, Managers entrusted therewith, are tasked with the classification of breaches of the Common Management Systems.

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Whistleblowing channel, which enables reporting of irregularities of financial and accounting nature to the audit committee, in addition to possible breaches of the code of conduct and irregular activities in the organisation. The reports may be filed confidentially.

An important aspect of responsibility and transparency is to provide a mechanism by which any interested party may safely and confidentially report irregularities, unethical or illegal conduct that, in his/her opinion, occur in the execution of the Company's activities.

In this manner and following the guidelines provided in section 301 of the Sarbanes-Oxley Act, the Audits Committee decided to establish specific procedures for:

- The reception, safeguard and processing of complaints or reports that the company may receive in relation to the accounting, internal monitoring of the accounting or auditing matters.
- Employees of the company to be able to confidentially or anonymously send information in good faith on dubious or arguable policies of accounting and auditing.
  In this sense, Abengoa has a twin mechanism for receiving complaints or reports.
- An internal channel, which is available to all employees, so that they can notify any alleged irregularity in accounting or audits or breaches of the code of conduct. The communication channel is by e-mail or ordinary mail.
- An external channel, available to anyone outside the company, so that they can notify any alleged irregularities, fraudulent actions or breaches of Abengoa's code of conduct through the website (www.abengoa.com).

Abengoa and its various business groups have been operating a whistleblower channel since 2007. Pursuant to the requirements of the Sarbanes-Oxley Act, whereby interested parties may report possible irregularities on accounting, auditing or internal controls over financial reporting, to the Audit Committee. A record is kept of all communications received in relation to the whistleblower, subject to the necessary guarantees of confidentiality, integrity and availability of the information.

Training programmes and regular updates for personnel involved in the preparation and review of the financial report, as well as in the evaluation of the System of Internal Control over Financial Reporting, which should at least cover accounting regulations, auditing, internal risks monitoring and management.

The Human Resources Management works together with the Economic-Financial Management to impart regular training, both internally and externally, to personnel involved in the preparation of the Financial Statements of the Group.

The training programmes are fundamentally focused on the correct knowledge and update on the International Financial Reporting Standards (IFRS) and on the laws and other rules and regulations on the Internal Control over Financial Reporting (Common Management Systems).

Both the Internal Audits Management and the Global Risks Management keep themselves informed and up-to-date on the latest on Risks management and Internal Control, especially on Financial Reporting.

During the 2016 financial year, the Departments related to the preparation, review and reporting of financial information received various publications of updates to the accounting and financial standards, internal control and tax, including courses by external experts in relation to the update of accounting standards.

## F.2 Financial reporting risk assessment

Indicate at least the following:

**F.2.1 What are the main features of the risk identification process, including the process of identifying the risks of error or fraud, with respect to:**

Whether the process exists and is documented.

Abengoa has introduced a process for identifying and evaluating risks: the Universal Risks Model (URM) which is updated on a regular basis. This model numbers the risks identified by the organisation, classified into categories and sub-categories, assigns indicators to each to enable them to measure their probability and impact and to define the degree to which they may be tolerated.

And finally, the types of risks related to the accounting and submission of the financial report, the management of debt and equity financing, planning and budgeting and the tax strategy of transactions:

Whether the process covers all the objectives of financial information (existence and occurrence; completeness; assessment; presentation, breakdown and comparability, and rights and obligations), whether it is updated, and how often.

The URM is designed to cover all risks identified. Among them there is a group that has to do with the preparation and submission of the financial report, accounting records, the management of debt and equity financing, planning and budgeting and the tax strategy of transactions:

Identified risks are covered and mitigated by Abengoa's internal monitoring system. All risks previously linked with the process by which the financial information is prepared are under control in such a way that it may be guaranteed that the financial reporting appropriately adheres to the requirements of existence, occurrence, integrity, evaluation, presentation, breakdown and comparability.

The existence of a process for the identification of the scope of consolidation, taking into account, among other matters, the possible existence of complex corporate structures, holding entities, or special purpose entities.

The consolidation perimeter of Abengoa is subject to revisions during each quarterly closing. The Consolidation department is in charge of analysing companies that enter and those that exit said perimeter. Both the creation and acquisition of companies, as well as their sale or dissolution, are subject to internal authorisation processes that permit the clear identification of all entries and exits to and from the consolidation perimeter.

Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.

As already mentioned, the URM is the methodology to identify, understand and assess the risks that may affect Abengoa. The purpose is to obtain an integral vision of these risks, designing an efficient system of response that is in line with the Company's business objectives.

It is made up of 56 risks belonging to 20 categories. These are grouped into 4 large areas (financial risks, strategic risks, regulatory risks and operational risks).

All the risks of the model are evaluated based on two criteria:

- Occurrence probability: Degree of frequency at which to be sure that a specific cause will expose Abengoa to an event with negative impact.
- Impact on the Company: Set of negative effects on the strategic goals and objectives of Abengoa

Which corporate governance body supervises the process?

The financial reporting process is the ultimate responsibility of the Board of Directors. In accordance with the Board of Directors' Regulations, the integrity and exactitude of the financial reporting presented to the Board of Directors for approval must first be certified by the Chairman of the company's Board of Directors and by the Director of the Department of Corporate Consolidation and Audits.

Likewise, as set out in section F.5 of this document, the Board of Directors entrusts the Audits Committee with the duties of supervising the system of internal control and monitoring which ensures that the preparation of the financial information strictly follows the required standards.

## F.3 Control activities

Indicate whether at least the following are in place and describe their main features:

**F.3.1 Procedures for reviewing and authorising the financial reporting and the description of the System of Internal Control over Financial Reporting to be published in the stock markets, indicating those in charge, as well as the documents describing the cash flows of activities and controls (even in connection with fraud risks) of the various types of transactions that could substantially affect the financial statements, including the accounting closure proceedings and the specific review of the opinions, estimates, assessments and relevant projections.**

In accordance with the Board of Directors' Regulations, the integrity and exactitude of the Annual Accounts presented to the Board of Directors for approval must first be certified by the Chairman of the company's Board of Directors and by the Director of the Department of Corporate Consolidation and Audits.

Once the Board of Directors receives the corresponding reports and after the necessary clarifications, it shall clearly and precisely, in terms that aid comprehension of its content, prepare the annual accounts, the directors' report and the resolution on the application of the company's profit/loss outcome, as well as the consolidated annual accounts and directors' report, and the financial reports which the company must regularly publish, due to being a listed company, ensuring that these documents depict the true state of the asset, the financial situation and the profit and loss outcome of the Company, in accordance with the stipulations of applicable law.

Before signing the annual accounts required by law, the directors shall keep a record of all the reservations they deem relevant. Otherwise, it will be understood that they had all the necessary information available to approve this preparation of the annual accounts.

The directors must sign statements of responsibility on the content of the annual financial report and, in turn, on any intermediate financial reports which the company must regularly publish due to being listed.

Thus, the board of directors will decide on and take as many actions and measures deemed necessary to ensure the Company's transparency on financial markets, promoting correct formation of prices of the Company's shares, supervising financial-related information regularly made public and performing as many duties as may be required due to the company's status as a listed company.

The process or structure effectively followed in certifying the financial reporting, done on a quarterly basis, reflects the manner in which the financial report is generated at Abengoa.

In this structure, the information to be reported is prepared by company heads, then reviewed by heads of the respective Vertical Business Units and by the respective Corporate area heads who certify both the reliability of the financial report on the area under their charge - which is what they submit for consolidation at group level- as well as the effectiveness of the internal control system set up to reasonably ensure this reliability. Finally, the Company's chief executive and the directors of Internal Audits and Corporate Consolidation certify the reliability of the consolidated accounts to the Board of Directors in the quarterly Audit Committee. With the support of the management team in Internal Audits, this Commission supervises the entire certification process, and then submits its conclusions from said analysis to the Board of Directors in the sessions when the accounts will be officially prepared. The information will then be published at the National Securities Market Commission (CNMV) once submitted to the Commission.

The legal consultancy department holds regular committee meetings with the different legal consultants of the various subsidiaries of Abengoa to be informed of the legal situations of ongoing litigations and later report to the Chairman's office where subsequent discussions are held during the Board of Directors meetings on the situations posing the most significant conflicts.

**F.3.2 Policies and procedures of internal control of information systems (especially on safety and security of access, monitoring of changes, operating these, operational continuity and separation of duties) that back the entity's relevant processes with regards to the drafting and publication of the financial reporting.**

Among the controls considered for the mitigation or management of the risks of error in financial reporting are those related to the most relevant computer applications, like controls relating to user access permissions or to the integrity of information transfer between applications.

In addition, Abengoa follows guidelines or standards and procedures of internal control over information systems in relation to acquiring and developing software, acquiring systems infrastructure, installing and testing software, managing changes, managing service levels, managing services performed by third parties, systems security and access to systems, managing incidents, managing operations, the continuity of operations and the segregation of duties. Said guidelines and procedures -which in some cases are different based on geographical scope

and which are in the process of gradual homogenisation- are applied to all information systems including those that house the relevant processes of the generation of financial reporting, and to the infrastructure necessary for its functioning.

In geographical areas where Abengoa operates, the entire internal network of computer infrastructure is controlled by a Department of internal professionals who are responsible for defining and executing the group's IT and telecommunications strategy, as well as user support, systems operation and IT security. Abengoa has an Internet Technology (IT) security system in place that envisages the recovery of relevant information in the event of a system crash. This security system is managed through the aforementioned internal IT department.

**F.3.3 Policies and procedures of internal control aimed at supervising management of activities outsourced to third parties, including the aspects of evaluation, calculation or assessment entrusted to independent experts, which could materially affect the financial statements.**

In general terms, Abengoa does not retain third party subcontractors to perform significant tasks that directly affect financial reporting. Third-party assigned assessments, evaluations or calculations that could materially affect the financial statements are considered activities deemed relevant for generating a financial report that may lead, as the case may be, to the identification of risks of priority errors, thus requiring the design of associated internal controls.

Abengoa has a method of approval through an authorisation that grants Executive support which, among other things, must be acquired by the Department that needs to contract a professional service. Such contracts are subject to reviews before being signed, including their analysis and internal approval of the fundamental assumptions to be used.

## F.4 Information and communication

Indicate whether at least the following are in place and describe their main features:

**F.4.1. A specific function charged with defining and updating accounting policies (accounting policy area or department) and with resolving questions or conflicts arising from the interpretation thereof, maintaining fluid communications with those responsible for operations at the organisation, as well as an updated accounting policy manual that has been communicated to the units through which the entity operates.**

Abengoa operates with an Accounting Policies Manual. This manual establishes the accounting policies criteria that must be observed when the company is preparing the financial report using the financial reporting framework established by the International Financial Reporting Standards adopted by the European Union.

The manual is available to all employees of Abengoa.

The manual is also subject to regular updates for the purpose of including all new applicable rules and regulations. The department of Consolidations and Accounting Policies is responsible for updating the manual which was last updated during 2015.

**F.4.2 Mechanisms to capture and prepare financial information with standardised formats, to be applied and used by all units of the entity or the group, supporting the principal accounts and the notes thereto, as well as the information provided on the internal control over financial reporting system.**

All the entities that make up Abengoa's consolidated group use the same financial information reporting tools and applications, regardless of the information system being used for the maintenance of the accounting records. Said tools, which are regularly supervised by the Consolidation department, ensure that the financial information reported by companies is complete, reliable and consistent. Thus, the information reported during the closing of financial years includes all breakdowns deemed necessary for the preparation of consolidated financial statements and their explanatory notes.

## F.5 Supervision of system operation

Indicate whether at least the following are in place and describe their main features:

**F.5.1. The activities of supervising the System of Internal Control over Financial Reporting performed by the audit committee, and on whether the entity has an internal audit system that is able to support the committee in supervising the internal control system, including the SICFR Also provide information on the scope of the assessment of the SICFR during the financial year and on the process by which the head of the assessment reports the results, whether the entity has an action plan that outlines the possible corrective measures, and whether its impact on the financial reporting has been considered.**

The Board of Directors is in charge of ensuring the appropriate registration of the operations in the accounting records, of maintaining a structure of internal control and accounting for the purpose of preventing and detecting errors and irregularities. In accordance with the Board of Directors' Regulations, the Audit Committee is entrusted with the following duties, amongst others:

- To report on the Annual Accounts, as well as on the quarterly and half-yearly financial statements that must be issued to the regulatory or supervisory bodies of the securities markets, with express mention of the internal control systems, verification of compliance and monitoring through the internal audit and, where applicable, on the accounting criteria applied.
- Supervising the preparation and completeness of the financial information concerning the company and, if appropriate, the group, checking due compliance with the governing regulations, the proper delimitation of the consolidation criteria and the correct application of accounting criteria.
- To periodically review the internal control and risk management systems so that the main risks are identified, managed, and properly disclosed, as well as to discuss significant shortcomings of the internal control system identified in the audit with the financial auditor.
- To supervise and ensure the independence and effectiveness of the duties of internal audits, with full access thereto; to propose the selection, appointment, re-selection and dismissal of the head of internal audits; to propose the budget for said unit, and set the salary scale of its Director; to obtain regular information on the activities and the budget of the unit; and to ensure that senior management considers the conclusions and recommendations in its reports.

The Audit Committee's functions also entail supervising the internal audit service and obtaining information on the financial reporting process, the internal control systems and the risks for the company.

On the other hand, with regards to supervising the internal controls system, the aims of the internal audit duties are as follows:

- To prevent the group companies, projects and activities from exposure to audit risks such as fraud, capital losses, operational inefficiencies and, in general, any risks that may affect the smooth operation of the business.
- To ensure the continuous application of the standards, appropriate procedures and efficient management in accordance with the common management systems.

Abengoa's internal audit department originated as an independent global function, reporting to the Board of Directors' Audit Committee, with the main aim of supervising Abengoa's internal monitoring and significant risk management systems.

Abengoa's internal audit service is structured around seven functional areas:

- Internal control
- Financial auditing
- Project auditing
- Monitoring auditing a specific risks
- Fraud prevention auditing
- Non-financial auditing
- Systems auditing

The internal audit team comprises 23 professionals. The general characteristics of the team are as follows:

- They have average professional experience of 8.76 years.
- Approximately 65% of the auditors have previous experience at an outside audit firm of the Big4.

The general goals of internal auditing are as follows:

- To prevent the group companies, projects and activities from exposure to audit risks such as fraud, capital losses, operational inefficiencies and, in general, any risks that may affect the smooth operation of the business.
- To ensure the continuous application of the standards, appropriate procedures and efficient management in accordance with the common management systems.
- To create value for Abengoa and its business units, promoting the construction and maintenance of synergies and the monitoring of optimal management practices.
- To coordinate working criteria and approaches with external auditors to achieve optimum efficiency and profitability of both functions.
- Analysis and processing of the complaints received through whistleblowing and reporting the conclusions of the work performed to the Audit Committee.

› To evaluate the companies' audit risk in accordance with an objective procedure.
› To develop annual work plans using appropriate scopes for each situation.

Abengoa's internal auditor services are in line with the international standards for the professional practice of internal auditing of the Institute of Internal Audit (IIA).

Likewise, Abengoa has been a member of ACFE Corporate Alliance since 2014. This association helps companies with tools and specific training focused on the fight against fraud and corruption, as well as resources to obtain the CFE (Certified Fraud Examiner) certification for internal auditors assigned to this area.

**F.5.2. Indicate whether or not there is a discussion procedure by which, (in accordance with the stipulations of the NTA), the accounts auditor, the internal audits' office and all the other experts, may inform the company's senior management, its audit committee and its directors, on the significant weaknesses identified in the internal control during the review of the financial statements or of all other documents to which they were assigned. Also report on whether or not there is an action plan for correcting or mitigating the weaknesses uncovered.**

The internal audit office regularly informs senior management and the Audit Committee about the weaknesses identified regarding internal control in reviews performed on the processes during the financial year, and on the implementation of the action plans put in place to ensure the mitigation of said weaknesses.

Elsewhere, the accounts auditor of the group has direct access to the group's senior management, holding regular meetings both to obtain the information necessary for the execution of its duties as well as to report on any control weaknesses detected during the auditing. External auditors will submit an annual report to the economic-financial director and the Audit Committee detailing the weaknesses they detected regarding internal control while carrying out their work.

## F.6 Other significant information

In the 2016 financial year a total of 2 reports were issued by external auditors, and these form an integral part of the Annual Report:

› Audit report on the consolidated accounts of the Group, as required by current regulations
› Audit report on internal audit compliance under CNMV standards, as required by the SCIIF.

## F.7 External audit report

Report on:

**F.7.1. Whether the information on the internal control over financial reporting system has been reviewed by the external auditor, in which case the entity should include the respective report as an exhibit. Otherwise, it should report its reasons.**

Abengoa applies all the rules and regulations dictated by the (CNMV) Stock Market Authorities. This fact implies that for the past six financial years Abengoa has been strictly complying with the reference indicators included in the document of the CNMV's "Systems of Internal Control over Financial Reporting

The SCIIF information remitted to the markets has been revised by the external auditor.

The auditor of the individual and consolidated annual financial statements of Abengoa, for the financial year ending 31 December 2016 is Deloitte S.L., which is also the Group's main auditor.

# G. Degree of compliance with corporate governance recommendations

Indicate the company's degree of compliance with the recommendations of the Good Governance Code for Listed Companies.

If the company does not comply with any recommendation or follows it partially, there must be a detailed explanation of the reasons providing shareholders, investors, and the market in general with sufficient information to assess the company's course of action. Explanations of a general nature will not be acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Compliant

See section: A.10, B.1, B.2 and C.1.23

2. When a dominant and subsidiary company are both listed, they should provide detailed disclosure on:

a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

N/A

See sections: D1, D.4 and D.7

3. During the ordinary general meeting, the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes taking place since the previous annual general meeting.

b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Compliant

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Partially compliant

The proposal that the board of directors submitted to the 2015 financial year Ordinary General Shareholders Meeting for the delegation of powers to issue shares or convertible securities fails to comply with this recommendation. Given the financial structure of the Company and the need to maintain sufficient levels of own funds compared to its volume of activity and its market position, there was need for the Company to have greater flexibility margin to undertake this kind of issuance at any time. Thus, the Board of Directors asked the General Shareholders Meeting to consider a request for an amount over 20% of Abengoa's equity at that time, and the General Shareholders meeting approved it under those terms.

Notwithstanding the foregoing, the mandatory reports on the exclusion of pre-emptive subscription rights which the commercial law makes reference to concerning the delegations currently in force were immediately published and are available at the Company's website.

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

a) Report on auditor independence.

b) Reviews of the operation of the audit committee and the nomination and remuneration committees.

c) Audit committee report on related-party transactions.

d) Report on the corporate social responsibility policy.

Compliant

7. The company should stream its general shareholders' meetings live on the corporate website.

Explain

Given the situation in which the company was struggling, and in order to prevent possible alterations in the normal functioning of the Shareholders Meeting and the spreading of rumours between non-shareholders, the Board of Directors decided not to give a live website broadcast of the General Shareholders Meetings held in 2016.

Nevertheless, the Company sufficiently publicises the General Shareholders Meetings in the BORME [Official Gazette of the Company Registry], the CNMV website and its own corporate website. Likewise, the Company, in line with prevailing legislation and its own internal regulations, facilitates participation of all who wish to take part in General Shareholders Meetings, having recently included in its internal regulations the possibility of attending General Shareholders meetings via remote online communication.

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Compliant

See section C.2.1

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

a) Immediately circulate the supplementary items and new proposals.

b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Not applicable.

In the General Meetings held during 2016 no payments were made for attendance.

12. The board of directors should perform its duties with unity of purpose and independent judgement, affording the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Compliant

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Complies

See section C.1.2

14. The board of directors should approve a director selection policy that:

a) Is concrete and verifiable.

b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.

c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Compliant

See section C.1.2 and C.1.3.

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Compliant

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board membership slots.

Compliant

See section C.1.2 and C.1.3.

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

a) Background and professional experience.

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.

d) Dates of their first appointment as a board member and subsequent re-elections.

e) Shares held in the company, and any options over the same.

Compliant

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

N/A

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant

See section C.1.21

21. The board of directors should not propose the removal of independent directors before the expiry date of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Compliant

See section C.1.21

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide on whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Compliant

See section C.1.21 and C.1.42

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Compliant

See section C.1.9

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The regulations of the board of directors should set forth the maximum number of company boards on which directors can serve:

Compliant

See section C.1.13

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant

See section C.1.29

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Compliant

See sections C.1.29 and C.1.30.

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Compliant

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Compliant

See section C.1.40

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For emergency reasons, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, with minutes duly taken, of the majority of directors present.

Compliant

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Compliant

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Compliant

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Compliant

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

a) The quality and efficiency of the board's operation.

b) The performance and membership of its committees.

c) The diversity of board membership and competences.

d) The performance of the chairman of the board of directors and the company's chief executive.

e) The performance and contribution of individual directors, with particular focus on the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

N/A

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

N/A

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Compliant

See section C.2.1

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and internal control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Compliant

See section C.2.1

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

   a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

   b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

   c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

   a) Investigate the issues giving rise to the resignation of the external auditor, should this come about..

   b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

   c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant

See section C.2.1

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant

See section C.2.1

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant

45. The risk control and management policy should identify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

b) The determination of the risk level the company sees as acceptable.

c) The measures in place to mitigate the impact of identified risk events should they occur.

d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Compliant

See sections E.

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Compliant

47. Appointees to the nomination and remuneration committee - or of the nomination committee and remuneration committee, if separately constituted - should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Compliant

See section C.2.1

48. Large capital companies should operate separate appointments and remunerations committees.

Explain

Pursuant to Article 44 bis of the Bylaws of Abengoa, the Board of Directors shall compulsorily set up and maintain a permanent an Appointments and Remunerations Committee

On the reference date of this report, Abengoa's Board of Directors consisted of seven members, six of them external, and two consultative Committees –the Audits Committee and the Appointments and Remunerations Committee- with each having three independent board members. The number of board members, though below what normally exists in other listed companies, and its qualitative distribution, is deemed appropriate for the current needs of the Company. This composition derived from the Restructuring Agreement entered into by the Company on 24th September 2016, giving rise to the amendment of the internal standards of Abengoa and to the reorganization of the organ of administration.

In that context, the splitting of the Appointments, Remunerations and Good Governance Committees would have generated inefficiencies, specifically deriving from the additional needs for funds, without clear justification in terms of improvement in the functioning of the organ of administration. Therefore, the Board of Directors does not intend to ask the General Shareholders Meeting to make any changes in Article 44 bis of the Bylaws.

49. The appointments committee should consult with the board chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable

Compliant

See section C.2.1

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law

a) Propose to the board the standard conditions for senior officer contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.

d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Compliant

See section C.2.1

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant

See section C.2.1

52. The terms of reference of supervision and control committees should be set out in the board of directors' regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) They should be chaired by independent directors.

c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Minutes should be taken of Meeting proceedings and a copy made available to all board members.

N/A

See section C.2.1

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.

f) Monitor and evaluate the company's interaction with its stakeholders.

g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Compliant

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The goals of its corporate social responsibility policy and the support instruments to be deployed.

b) The corporate strategy with regard to sustainability, the environment and social issues.

c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct.

d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.

e) The mechanisms for supervising non-financial risk, ethics and business conduct.

f) Channels for stakeholder communication, participation and dialogue.

g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Compliant

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Compliant

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of nonexecutive directors.

Compliant

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Compliant

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies

c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Explain

On the proposal of the Appointments and Remunerations Committee, the Board of Directors shall be responsible for setting up annual variable remuneration objectives, including their adjustments, for the existing Chairperson, in accordance with the stipulations of the applicable remunerations policy. At the same time, contracts of executive directors who performed executive duties that ended in 2016 specified that the variable components of their remuneration are conditioned to the performance of their annual objectives that were set for them and could be linked to financial or business indicators that the Appointments and Remunerations Committee and the Board of Directors deem relevant.

Notwithstanding the above, given the exceptional situation in which the Company struggled in 2016, the objectives of the variable remuneration were fundamentally based on the EBITDA and, in some cases, on the culmination of the financial restructuring process, without it considering criteria of non-financial nature. This same exceptional situation made it improbable to comply with the requirements set forth in the extraordinary plans of variable remuneration for directors which also served for some of the previous executive directors, thus limiting the virtual practicality of the short- and long-term incentives.

Abengoa's Board of Directors intends to ask the next Ordinary General Shareholders Meeting to consider a new Remunerations Policy for the 2018 and subsequent financial years. Said policy is expected to include the full content of this recommendation.

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Explain

The variable compensation policy does not provide for a large part of the variable remuneration components being deferred for a long enough period to ensure that predetermined performance criteria have effectively been met, notwithstanding the fact that it can be provided for once the Company has overcome its present exceptional circumstances.

Thus, as already indicated, Abengoa's Board of Directors intend to submit a new remunerations policy on the 2018 and subsequent financial years to the next Ordinary General Shareholders Meeting for consideration. The preparation of said policy may warrant the full inclusion of the of the content of the recommendation and, consequently, the modification of the Executive Chairman's contract for its appropriate adjustment.

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduces said amount.

Explain

Variable remunerations linked to the company's results do not explicitly consider the exceptions and qualifications that may be in the external auditor's report. That notwithstanding, just as already indicated, in the framework of the new remunerations policy that is being prepared, the inclusion of the recommendation is being considered and, consequently, it will consider the modification of the Executive Chairman's contract for its appropriate adjustment.

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Explain

As is on 31 December 2016, the variable remuneration of Abengoa's executive directors does not include the award of shares or share-based financial instruments.

However, some of the board members who performed executive duties and withdrew from them during the 2016 financial year participated in the extraordinary plans of variable remunerations for existing directors, which amounted to a significant part of their variable remuneration. The accrual of remuneration corresponding to the extraordinary variable compensation schemes, and therefore, the right to receive such (not the amount of remuneration in itself)- depended on the market value of Abengoa's class B shares not falling below certain values in the last quarter that each scheme is in force. Consequently, Abengoa's Board of Directors considers that the characteristics of the variable compensation linked to these schemes allowed for the fulfilment of the practical aim of Recommendation 61 of the Code, and therefore it is tied to the performance of the Company Stock Value.

As already indicated, the Board of Directors of Abengoa intend to submit a new Remunerations Policy on the 2018 and subsequent financial years to the next Ordinary General Shareholders Meeting to consider. Decisions will be taken on whether to include the content of the recommendations.

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

N/A

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Explain

The contracts of the executive members who served during the 2016 financial year do not contain any clause that may permit them to file for reimbursement of the variable components of the remuneration in cases in which it does not adjust to performance since, given the special circumstances of the Company, the objectives to which they were linked were mainly centred on the short-term observable financial magnitudes. Notwithstanding, it should be noted that none of the board members who performed executive duties but left such duties during the 2016 financial year accrued any amounts in concept of the annual variable remuneration for said financial year.

The Board of Directors' meeting held on 27 February 2017, on the proposal of the Appointments and Remunerations Committee set forth the objectives of the Executive Chairman for the 2017 financial year and agreed that the payment of the variable components of the remuneration shall be subject to reimbursement (but the company may retrieve it) in the event that the payment is not adjusted to the terms and conditions of performance or if paid based on information that is later found to be incorrect.

In addition, the Company is considering the inclusion of this stipulation in the Remunerations Policy which it intends to submit to the next Ordinary General Shareholders Meeting for approval and, consequently, shall modify the contract of the Executive Chairman.

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Compliant

# H. Other information of interest

1. If there are any significant aspects regarding corporate governance at the company or at entities of the group that is not included in the other sections of this report, but should be included in order to provide more complete and well-reasoned information regarding the corporate governance structure and practices at the entity or its group, briefly describe them.

2. In this section, you may also include any other information, clarification, or comment relating to the prior sections of this report to the extent they are relevant and not repetitive.

Specifically, indicate whether the company is subject to laws other than Spanish laws regarding corporate governance and, if applicable, include such information as the company is required to provide that is different from the information required in this report.

3. The company may also indicate whether it has voluntarily adhered to other international, industrial, or other codes of ethical principles or good practices. If so, identify the code in question and the date of adherence thereto. In particular, mention whether there has been adherence to the Code of Good Tax Practices of 20 July 2010.

**A.1 - Rights inherent in class A and B shares**

Article 8 of Abengoa's Bylaws regulates the different rights inherent in its class A and B shares. The Extraordinary General Shareholders Meeting held on the second call on 30 September 2012, agreed to amend article 8 of Abengoa's bylaws to include a mechanism for voluntarily converting class A shares into class B shares. Below is the aforementioned subsection of the aforementioned Article 8 which includes the right of voluntary conversion:

*" […] A.3) The right of conversion into class B Shares*

*Each class A share entitles its owner the right to convert it into a class B share until 31 December 2017*

*The owner may exercise its right of conversion by sending the company or, better still, as the case may be, the agency designated for such, through the corresponding participating entity of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear), through any means that provides acknowledgement of receipt, notification reflecting the total number of class A shares owned by said owner and the exact number of class A shares over which said owner wishes to exercise the inherent rights of conversion, in order for the Company to execute the agreements necessary for effecting the aforementioned conversion and to subsequently inform the CNMV by issuing the corresponding notice of relevant event.*

*The aforementioned notice shall include the corresponding certificate of ownership and legitimacy for the class A shares issued by an entity that must be a participant in the Iberclear management systems, or through an intermediary or depository or financial entity managing the shares under the terms set out in the regulations governing securities representation by means of book-entry or through any other equivalent means of accreditation to which the Company grants sufficient validity for that purpose.*

*The exercise of the inherent conversion rights of a class A shares shall be understood as the company's share capital being reduced by the amount of the difference between the face value of the class A shares for which the inherent rights are exercised and the face value of the same number of class B shares, an amount that will increase the restricted reserve which the company would already have set aside for that purpose and in accordance with article 335.c) of the Spanish Companies Act.*

*The Board of Directors, with the specific faculty of substitution by the Chairman or the Chief Executive, shall be empowered to determine the period, frequency and procedure for exercising the inherent conversion rights, including, if applicable, the decision of adequacy of the aforementioned equivalent means of accreditation, as well as all other aspects that may be deemed necessary for the proper and correct exercise of said right, which shall all be appropriately communicated through the corresponding notice of relevant event. […]"*

**A.2, A.4 and A7**

The Company is involved in a process of financial restructuring scheduled to finalise during the first quarter of 2016. Among other items, this restructuring operation involves the entry of new money into the group of companies headed by the Company and the capitalisation and/or discharge, as appropriate, of certain financial debt. As a result of these capitalisation operations and having exercised these on conclusion of the restructuring operation, the significant shareholders of the Company at the year-end, Inversión Corporativa IC, S.A. and Finarpisa, S.A., will no longer hold a significant stake in the Company.

**A.12.**

The Company reported a relevant event on 29 April 2016 sent to the CNMV (official registration number 238043) stating that the process of voluntary delisting of its Class B shares and its American Depositary Receipts (ADRs) from the NASDAQ Stock Market became effective on 28 April 2016, having carried out all the actions to exclude such securities from the SEC and therefore terminating its reporting obligations under the Securities Exchange Act of 1934. Following the delisting of the Class B shares and ADRs from the Nasdaq Stock Market, all of the shares of the Company are traded on the Spanish Electronic Market.

**B.3 / B.5 Reinforcement to guarantee minority rights**

In the interest of reinforcing minority rights, Abengoa submitted a series of bylaw amendments to the Extraordinary General Shareholders Meeting for approval to ensure that the so-called "defence of minority rights" do not suffer infringements for the mere fact that two different classes of shares exist with different face values and specifically to prevent the lesser face value of the class B shares from making it more difficult to obtain the percentages of the share capital required for the exercise of some voting rights, for example, 3% of the equity to enable the convening of the General Shareholders Meeting or for proposing the exercise of a social responsibility action. Thus, the General Shareholders Meeting approved the amendments of Abengoa's bylaws in the terms and conditions indicated below to envisage that all rights are exercised considering the denominator for calculating the number of shares as the basis for the percentage, and not the share capital.

In particular, the General shareholders Meeting approved the amendment of the bylaws with the aim of establishing that (i) Shareholders be required to own three hundred and seventy-five (375) shares, regardless of whether they are class A or B, to attend the General Shareholders meeting of the company's shareholders; (ii) that shareholders representing at least 3% of the share capital or 3% of the shares with voting rights be allowed to request publication of a supplement to the call for an Ordinary General Shareholders meeting including one or more points on the agenda and to submit proposals for decisions on issues already included or that should be included in the agenda of the convened Meeting; that (i) shareholders who own 1% of the share capital or 1% of the voting shares be able to request the presence of a Notary Public to endorse the minutes of the General Shareholders meeting; (iv) shareholders who own 3% of the share capital or 3% of the voting shares be able to request the convening of the General Shareholders meeting to decide upon the corporate liability action against directors or exercise the corporate liability action without or against the decision made by the Board in the General Shareholders meeting; (v) that the Company's Board of Directors convene the General Shareholders meeting when requested by shareholders representing 3% of the share capital or 3% of the voting shares; (vi) that the Company's Board of Directors extend the General Shareholders meeting if requested by shareholders representing 25% of the capital present or represented in the meeting or 25% of the voting shares and (vii) that the Company's Board Chairman may suspend the right to information as established in article 197 of the Spanish Companies Act only if so requested by shareholders representing less than 25% of the paid-in capital or 25% of the company's voting shares if this percentage is lower than the voting shares (and as long as verified in addition to the other conditions envisaged in the bylaws.

**C.1.2 and C.1.9**

The director Mr. José Luis Aya Abaurre passed away on 12 February 2016. On 7 March 2016 the Company's Board of Directors agreed to cover the vacancy left on the Board due to the death of Mr. José Luis Aya Abaurre by co-opting, thereby appointing the company Inayaba, S.L. as director and Ms. Ana Abaurrea Aya as individual representative.

On 1 March 2016 the Board of Directors of Abengoa approved the following resolutions:

- Remove Mr. José Domínguez Abascal as Chairman whereby he remains as director with the category of other external director.
- Appoint Mr. Antonio Fornieles Melero, who until now held the positions of Vice-Chairman and Coordinating Director, as Executive Chairman, delegating all powers of the Board of Directors to him except those which cannot be delegated by law, attaining the status of executive director with the duty of the Executive Chairman.
- Delegate all powers of the Board of Directors, except those which cannot be delegated by law, to the Managing Director, Mr Joaquín Fernández de Piérola Marín, retaining the post of executive board member although with the duty of Chief Executive.

Furthermore, on 8 March 2016 Abengoa's Board of Directors adopted the following agreements:

- To appoint Mr Joaquín Fernández de Piérola Marín as First Vice-chairman of the Board of Directors, thereby merging this position with that of Managing Director (CEO).
- To appoint Ms. Alicia Velarde Valiente as Second Vice-chairwoman and Coordinating Director.

On 18 April 2016 the Board of Directors of Abengoa agreed to accept the resignation of Mr. José Domínguez Abascal as director for personal reasons.

On 25 May 2016 the Board of Directors accepted the resignation tendered by Mr. Claudi Santiago Ponsa as director, as a consequence of the envisaged new shareholding composition of Abengoa as a result of the current restructuring process then ongoing.

The Ordinary General Shareholders meeting held on 30 June 2016 approved, among other resolutions, the decision to remove Mr. Javier Benjumea Llorente as executive director and ratify and appoint Joaquín Fernández de Piérola Maríin as executive director, Ricardo Martínez Rico as independent director, Alicia Velarde Valiente as independent director and Inayaba, S.L., represented by Ana Abaurrea Aya, as proprietary director.

Lastly, the Extraordinary General Shareholders meeting held on 22 November 2016 accepted the resignation tendered on that date by all the directors and, at the proposal of the Board of Directors, following a report from the Appointments and Remuneration Committee, agreed to appoint Gonzalo Urquijo Fernández de Araoz as executive director and Mr. Manuel Castro Aladro, Mr. José Luis del Valle Doblado, Mr. José Wahnon Levy, Mr. Ramón Sotomayor Jáuregui, Mr. Javier Targhetta Roza and Ms. Pilar Cavero Mestre as independent directors.

Accordingly, on the date of approving this report, the Company's Board of Directors comprises as 1 executive director and 6 independent directors.

It is hereby noted that, as an event following the year-end, on 26 January 2017 Javier Targhetta Roza resigned his position as director for personal family reasons and the Company's Board of Directors accepted the resignation.

**C.1.15**

The amount of total remuneration of Board members includes remuneration paid, for any reason, to all those who have held the position of director of the Company during 2016.

**C.1.16**

In the context of the restructuring process Abengoa has changed its organisational structure in order to make it more streamlined, more efficient and focused on business development.

The Corporate area now includes all areas that were previously split up. This is in order to obtain greater synergies and efficiencies.

In the Business area we have removed the previous structure based on Business Groups, concentrating the activities and integrating business units to also exploit synergies and gain in efficiency. The new business organisational chart is divided into two areas, Business and Geographies, which is intended to cover all future activities of Abengoa, focusing on our core operations of Engineering and Construction and maintaining technology and innovation as key elements of competitiveness.

As a consequence of the foregoing, the senior management of the Company was simplified on 22 November 2016 to form an Executive Committee comprised of only six members: the Executive Chairman, Mr. Gonzalo Urquijo Fernández de Araoz; the CEO, Mr. Joaquín Fernández de Piérola; the Secretary General, Mr. Daniel Alaminos; the Director of Human Resources, Mr. Alvaro Polo; the Finance Director, Mr. Víctor Pastor, and the Director of Strategy and Restructuring, Mr. David Jiménez-Blanco. Therefore, on said date, the previous top management body known as Strategy Committee, the made up of 22 members, ceased to exist. Notwithstanding the foregoing, the overall amount of remuneration to senior management shown in this report reflects the remuneration of senior managers holding said post, partially or completely, in the 2016 financial year.

**C.1.45**

It is hereby noted that, pursuant to the services rendering business agreement that Abengoa entered into with the previous Executive Chairman, Mr. José Domínguez Abascal, in the event that the Company terminates him, he would be entitled to opt between non-competition post-contractual compensation for early/agreed termination as described above, which in the case of Mr. Domínguez Abascal reached an amount equivalent to 100% of the accrued remunerations for the immediately preceding financial year, or reintegration to his previous post. After his termination as Executive Chairman, Mr. Domínguez Abascal opted for reintegration into his previous post.

**C.2.1**

It is hereby noted that on 27th February 2017 the Board of Directors of Abengoa unanimously agreed to appoint Mr. José Luis del Valle Doblado as member of the Appointments and Remunerations Committee in replacement of Mr. Javier Targuetta Roza.

**D.3**

It is hereby stated that on 1 March 2016, Abengoa's Board of Directors agreed to terminate the service provision agreement between Abengoa and Mr. Felipe Benjumea Llorente on 23 September 2015.

**D.7**

Atlantica Yield plc, a company that does not belong to the Group but in which Abengoa holds a stake of approximately 40%, is listed on the US Nasdaq. For this purpose, on 26 May 2014 both companies signed a protocol for the authorisation and supervision of related-party transactions.

**Other information**

During 2013 Abengoa started to prepare a corporate compliance programme which it has continued to develop in recent years.

The concept of corporate compliance was introduced in adherence to international practices and to specific compulsory legal rules and regulations, especially practiced in Anglo-Saxon law and, from December 2014 onwards, in Spain. Up until the Transparency Act and, most recently, Law 31/2014, of 3 December, which amends the Spanish Companies Act to improve corporate governance, became effective and enforceable in Spain, good governance recommendations were just that: recommendations. They were not binding even though, on the international markets, companies were legally obliged to comply with certain codes of conduct to prevent fraud, among other bad practices. Notwithstanding the above, due to the increase in getting closer to the international markets as well as to the recent promulgation of Law 31/2014, it is now necessary, on the one hand, to harmonise the international practice with Spanish laws, thus introducing the concept of criminal liability for legal entities and, on the other, to adapt the various company standards to the new amendments introduced in the Spanish Companies Act.

The goal that Abengoa hopes to attain by creating this programme and by adapting its standards to the recent amendments in the Spanish Companies Act on the aspect of corporate governance is for the Board of Directors and the management to apply and practice ethics, legality and efficacy in business transactions (good governance), with the organization's systematic focus on evaluating and managing risks, and to ensure that the organisation and its employees comply with the existing laws, regulations and standards, including the company's behavioural standards (regulatory compliance), with Abengoa exercising due control and providing a strategic vision to tackle the legal needs of the organisation. The creation of a regulatory compliance monitoring programme by introducing an effective system of good governance and crime prevention is an essential resource for the reputation of Abengoa.

Abengoa's corporate compliance programme establishes standards and procedures for detecting and preventing bad corporate practices, with the Board of Directors acting as the authority in supervising the implementation and improvement of the compliance programme and creating the internal post of compliance officer. An appropriate corporate compliance programme requires an evaluation of the criminal, social and corporate good governance risks, a monitoring authority, a follow-up, action and surveillance programme, as well as an important ongoing training programme for employees.

Also in 2002, Abengoa signed the UN Global Compact, an international initiative which aims to achieve a voluntary commitment of entities in social responsibility through the implementation of ten principles based on human, labour and environmental rights and the fight against corruption.

And in 2007 the company signed the Caring for Climate initiative, also of the United Nations. As a result, Abengoa has implemented a system of reporting emissions of greenhouse gases (GHGs), which allows it to calculate its emissions of greenhouse gases, trace all its supplies and certify the products and services it offers.

On 26 July 2010, the Company's Board of Directors agreed on the company's adhesion to the Code of Good Tax Practices.

This annual corporate governance report was approved by the Board of Directors of the company at its meeting dated _____.

Indicate whether any directors voted against or abstained in connection with the approval of this Report.

No

| Individual or company name of director that did not vote in favour of the approval of this report | Reasons (opposed, abstained, absent) | Explain the reasons |
|---|---|---|
| | | |

# 03.2 Annual report from the appointments and remunerations committee

# A. The company's remuneration policy for the ongoing year

## A.1. Abengoa's remuneration policy for the ongoing financial year 2017

At Abengoa, S.A. ("**Abengoa**" or the "**Company**") it is considered important to maintain policies geared towards proposing long-term professional careers in the Group of which Abengoa is the parent company (the "Group") and, at the same time, promoting the Company and its Group's long-term profitability and sustainability, maintaining reasonable proportionality with the importance of the Company, its economic situation at the given time and the market standards of comparable companies. Abengoa's business transactions and operations are conducted in extremely competitive fields in which the achievement of goals and objectives greatly depend on the quality, work capacity, dedication and business knowledge of the persons holding key positions and leading the organization.

These premises determine the Group's remuneration policy in general, that of the directors, in particular, and especially that of the executives, which should make it possible to attract and retain the most distinguished professionals.

Therefore, the aim of the remuneration policy for members of the Board is as follows:

- Remuneration for the supervisory and collegial decision-making duties performed as members of the Board of Directors should be appropriate to reward the dedication, qualification and responsibility required for the performance of the duties of member of the Board, bearing in mind the duties performed on the Board of Directors and the Committees on which they serve.
- Regarding the remuneration of executive directors for performing their executive duties:
  - (i) Ensure that the overall remuneration package and its structure are competitive in comparison with the international sector and compatible with our vocation of leadership.
  - (ii) Maintain an annual variable component linked to the achievement of specific and quantifiable objectives that are in line with the interests of shareholders.

The remuneration policy for members of the Board of Abengoa set out in this report is based on the Annual Report on Remuneration for Members of the Board for financial year 2014, which was adopted at the ordinary General Shareholders' Meeting of 29 March 2015. In accordance with the transitional provision of Law 31/2014 of 3 December, amending the Spanish Company Law to improve corporate governance, the adoption of the report by the General Shareholders' Meeting determined that the remuneration policy set out in the report was also adopted for the purposes of article 529 novodecies of the Spanish Company Law, effective until financial year 2017 (inclusive).

However, article 39 of the Bylaws of Abengoa – which, among other things, governs Board member remuneration – was altered at that same ordinary General Shareholders' Meeting of 29 March 2015 and at the extraordinary General Shareholders' Meeting of 22 November 2016. Among other changes, the General Shareholders' Meeting of 22 November 2016 resolved to remove the previously available possibility of remunerating Board members by means of a share in the Company's earnings. The remuneration policy reflected in this report accordingly differs from the policy set out in the Annual Report on Remuneration for Members of the Board for financial year 2014 to the extent that it reflects those changes to the Bylaws in connection with remuneration.

The criteria for establishing a director remuneration policy are in conformity with the provisions of the Spanish Company Law (articles 217 to 219, 249 and 529 sexdecies to 529 novodecies), those of the Bylaws (article 39) and those of the Regulations of the Board of Directors (article 20), establishing various criteria depending on whether or not the director performs executive duties:

- Remuneration of members of the Board for their condition as such.

  The position of director is remunerated following the stipulations of article 39 of the Bylaws. Remuneration of members of the Board consists of an amount the total sum of which will be decided by the Company's General Shareholders' Meeting, in accordance with the remuneration policy for members of the Board and on the basis of all or some of the following items, subject to any statutory requirement as to prior approval by the General Shareholders' Meeting:
  - (a) a fixed allocation;
  - (b) attendance allowances;
  - (c) variable remuneration tied to general benchmark indicators or parameters; and
  - (d) severance compensation, provided that severance does not arise from breach of the director's duties.

  In addition, payment may be in the form of shares made over to non-executive directors, such share-based payment being subject to the recipients' continuing to hold the shares (except any they may need to sell to defray the costs of acquiring them) until their departure from the Board.

  At present, from among the various possibilities permitted by Abengoa's internal rules, remuneration to members of the Board in their capacity as such exclusively takes the form of allowances for attendance at meetings of the Board and its Committees.

  The specific determination of the amount due in respect of the above considerations to each of the members of the Board and the form of payment rests with the Board. For that purpose, the Board will have regard to the duties performed by each member within the Board itself and his/her membership of and attendance at the various Committees. Directors will also be reimbursed for costs incurred in the performance of actions entrusted to them by the Board.

Any rights and duties arising from membership of the Board will be compatible with any other rights, duties and indemnities that may attach to a Board member by virtue of any other functions, including executive duties, which he/she performs at the Company.

› Remuneration for the performance of duties at the Company other than those attributed to directorship.
This includes director remuneration for performing executive duties or those of another nature, other than those of supervision and decision-making exercised on a collegial basis on the Board or its Committees.
This remuneration is compatible with their remuneration simply in their capacity as members of the Board of Directors.
The setting of director remuneration for the performance of executive duties rests with the Board. It is to be noted that as from the extraordinary General Shareholders' Meeting of 22 November 2016 the only executive director now in office is the current Executive Chairman, Mr. Gonzalo Urquijo Fernández de Araoz.

The Board, at the proposal of the Appointments and Remuneration Committee, intends to lay before the upcoming ordinary General Shareholders' Meeting, for adoption if thought appropriate, a new remuneration policy for financial year 2018 and subsequent years. The Board likewise intends to propose to the General Shareholders' Meeting that the new remuneration policy also apply in 2017, thus altering the policy set out in this report in accordance with article 529 (3) novodecies of the Spanish Company Law.

## A.2. Process to determine the remuneration policy

In accordance with article 28 of the Regulations of the Board of Directors of Abengoa, it falls to the Appointments and Remuneration Committee to propose to the Board the remuneration policy for directors, for senior executive vice presidents or such persons as perform senior management duties and report directly to the Board, for executive committees and for executive directors, such policy subsequently being submitted for approval to the General Shareholders' Meeting. The Appointments and Remuneration Committee must also regularly review the remuneration policy and ensure that the individual remuneration of each such person is proportionate to that paid to the rest of directors and senior executive vice presidents of the Company.

The remuneration policy for members of the Board of Abengoa set out in this report is based on the Annual Report on Remuneration for Members of the Board for financial year 2014. That remuneration policy was prepared, discussed and formulated by the Appointments and Remuneration Commission, with the resulting proposal then being referred to the Board of Directors for subsequent submission to the General Shareholders' Meeting. External advisers were not involved in framing the remuneration policy. However, to set the policy in specific relation to directors who are in office at the time of writing, market benchmarks have been considered, based on information supplied by reputable consultants, as indicated later within this section A.2.

In accordance with the Bylaws and the Regulations of the Board of Directors of Abengoa, a majority of members of the Appointments and Remuneration Committee must be independent directors, and the Committee Chair must be appointed from among the independent directors on the Committee. At present, the Appointments and Remuneration Committee is made up of independent directors exclusively, including the Committee Chair, all of whom have been appointed on the strength of their knowledge, skills and experience in the matters dealt with by the Committee.

The current members of the Appointments and Remuneration Committee – who, in that capacity, are involved in the framing and regular review of the remuneration policy – are:

| | | |
|---|---|---|
| Pilar Cavero Mestre | Chair | Independent Director |
| José Luis del Valle Doblado | Member | Independent Director |
| Ramón Sotomayor Jáuregui | Member | Independent Director |
| Juan Miguel Goenechea Domínguez | Secretary | Non-Board member |

Ms. Cavero was appointed to the Committee at a meeting of the Board of Directors of Abengoa, S.A. held on 22 November 2016, and elected as Chairwoman at a meeting of the Appointments and Remuneration Commission held on that same day; the Secretary was appointed at the meeting of the Board of Directors of Abengoa, S.A. held on 22 November 2016.

At year-end 2016, Mr. Javier Targhetta Roza was a member of the Appointments and Remuneration Committee, but on 26 January 2017 he resigned as a director for personal reasons of a family nature. The Board of Directors, at its meeting of 27 February 2017, unanimously resolved to appoint Mr. José Luis del Valle Doblado as a member of the Appointments and Remuneration Committee to replace Mr. Javier Targhetta Roza.

In the context of the restructuring of Abengoa, and in accordance with the terms of the Restructuring Agreement entered into by the Company on 24 September 2016, the Board of Directors was completely overhauled in number and membership at the extraordinary General Shareholders' Meeting of 22 November 2016. To set remuneration for the new members of the Board of Directors, all of whom are independent except the Executive Chairman, the Appointments and Remuneration Committee relied on information on market benchmarks provided by the specialized firm Spencer Stuart. To determine the terms of the contract with the Executive President, the Committee was also advised by Mercer, a consultancy firm that likewise specializes in remuneration matters.

## A.3. Fixed components of remuneration

### (a) Remuneration of members of the Board in their capacity as such

The remuneration of Abengoa directors in their capacity as such consists of allowances for attendance at meetings of the Board and of its Committees. The applicable amounts accrue only upon attendance by a director at the meetings of the corresponding body. The detail of these items of remuneration is as follows:

- Allowances for attendance at meetings of the Board: € 8,000 per meeting, capped at € 80,000 per director per annum.
- Allowances for attendance at meetings of the Audit Committee: € 2,500 per meeting, capped at € 10,000 per director per annum.
- Allowances for attendance at meetings of the Appointments and Remuneration Committee: € 2,500 per meeting, capped at € 10,000 per director per annum.
- Allowances for chairmanship of the Audit Committee or of the Appointments and Remuneration Committee: € 2,500 per meeting, capped at € 10,000 per director per annum.

### (b) Remuneration of members of the Board for the performance of executive duties

Executive directors are paid a fixed allocation or salary as consideration for the performance of their executive duties, which consists of a fixed annual gross sum apportioned across twelve equal monthly payments.

The amount of such remuneration must lie within the range of usual remuneration for similar positions at comparable companies. This amount is set, as far as practicable, on the basis of market research conducted by external consultants.

Fixed remuneration may be increased annually in accordance with a review conducted by the Board, on the motion of the Appointments and Remuneration Committee and pursuant to the applicable remuneration policy.

As indicated earlier, since 22 November 2016 the only executive director now in office at Abengoa is its Executive Chairman, Mr. Gonzalo Urquijo Fernánder de Araoz, whose fixed remuneration for 2017 comes to € 1,000,000.

Executives directors may also have the benefit of life and/or accident insurance paid for by the Company.

## A.4. Variable components of the remuneration systems

At Abengoa, only executive directors are entitled to variable remuneration.

### (a) Annual variable remuneration (or bonus)

Annual variable remuneration of executive directors forms part of Abengoa's general remuneration policy for senior management, and partakes of the same general structure as the annual variable remuneration of senior executives. As regards executive directors, it falls to the Board, at the proposal of the Appointments and Remuneration Committee, to set annual targets and their weightings in accordance with the applicable remuneration policy.

Annual variable remuneration (or bonus) for executive directors is tied to the fulfillment of targets. Those targets, in turn, are mainly pegged to Earnings Before Interest, Taxes, Depreciation and Amortization, or "**EBITDA**". Given this framework, at the beginning of the financial year an estimate is made of the total variation range for the variable remuneration that may be due to executive directors.

Variable remuneration takes the form of an annual bonus, and is settled as a lump sum (it accrues for all purposes within the financial period then being settled, as appropriate).

For the purposes of the calculation of annual variable remuneration due to the Executive Chairman, the notional benchmark variable is equal to 100 % of his annual fixed remuneration, which will match the amount of the bonus if 100 % of all targets set for the given year are fulfilled. The annual variable remuneration that actually accrues can range from 80 % to a maximum of 140 % of the notional benchmark variable. At the time of writing, the annual variable remuneration targets for the Executive Chairman and their weightings are yet to be determined by the Board.

In the context of its review of the remuneration policy referred to in section A.1, the Appointments and Remuneration Committee is considering whether or not it is expedient to begin a study on possible variable compensation linked to achieving targets related to the restructuring process the Company is currently immersed in, in order to, in turn, propose to the Board of Directors that any applicable resolutions be adopted, including considering the Executive Chairman as a potential beneficiary of this compensation.

**(b) Multiannual variable remuneration**

Executive directors, as members of the senior management of Abengoa, are eligible to participate in the multiannual variable remuneration schemes for senior executives adopted from time to time by the Board at the proposal of the Appointments and Remuneration Committee.

At present, there are two extraordinary long-term variable remuneration plans for senior executives, adopted in January 2014 and July 2014, respectively, the terms and conditions of which are set out in section C.1. However, at the time of writing, Mr. Gonzalo Urquijo Fernández de Araoz, the only executive director now in office, was not a participant of either plan. Neither are any rights held under those plans by Mr. Javier Benjumea Llorente, Mr. José Domínguez Abascal or Mr. Antonio Fornieles Melero, who formerly performed executive duties, of which they were relieved in the course of 2016. Mr. Joaquín Fernández de Piérola Marín, who was released from his office of Chief Executive Officer on 22 November 2016 and is now a senior executive manager of the Abengoa Group, would retain rights under those plans in his present capacity, but, as did the other members of senior management who were formerly entitled under those plans, he has waived the rights.

Within the framework of the review of the remuneration policy referred to in section A.1, it is intended to adopt a medium- and long-term incentive plan for senior executives to replace the two plans referred to above. Executive directors would be eligible to take part in the new plan.

## A.5. Long-term savings systems

The compensation package for Abengoa directors does not include any long-term savings system.

## A.6. Compensation

There is no provision for the payment of any compensation to directors in the event of termination of their positions as such. Compensation will be paid only in the event of termination of executive duties, as indicated in section A.7 below.

## A.7. Terms and conditions of contracts entered into with executive directors

Based on proposals by the Appointments and Remuneration Commission, the Board of Directors fixes the remuneration of executive directors for the performance of their executive duties and other basic conditions that must be respected in their contracts, duly approved by the Board of Directors under the terms and conditions set out in article 249 of the Spanish Company Law.

The main terms of the contract entered into by the Company with the Executive Chairman, Mr. Gonzalo Urquijo Fernández de Araoz, the only executive director in office at the time of writing, are outlined below:

**a) Permanent**

The contract entered into with the Executive Chairman is of indefinite duration, and makes provision for financial compensation in the event of termination of the contractual relationship with the Company, unless such termination is due to voluntary departure, death or disability of the director or to breach of his duties.

**b) Exclusivity and non-competition**

The Executive Chairman's contract places him under a duty of exclusive dedication to the Company as regards executive functions.

In addition, the contract includes a post-contractual non-competition clause, effective for one year after the end of his relationship with the Company. As consideration for this undertaking, the Executive Chairman will be entitled to compensation in an amount equal to one year of fixed and variable remuneration. If the Executive Chairman resigns of his own free will, the Company reserves the right not to trigger this covenant. If it is acknowledged that the Executive Chairman is entitled to the severance compensation referred to in section (e) below, the compensation for post-contractual non-competition will be deemed to be included in that amount.

If the director dishonours the post-contractual non-competition undertaking, he must pay to the Company a penalty equal to one year's fixed and variable remuneration.

**c) Indemnity clauses**

The Executive Chairman's contract entitles him to collect an indemnity in an amount equal to two years' fixed and variable remuneration upon termination of the contract, unless such termination is caused by voluntary resignation, death or disability of the director or by a serious and culpable breach of his duties. In events of voluntary resignation, such resignation must be tendered at least three months in advance of its intended effective date. If the director fails to comply with this condition, he must indemnify the Company with an amount equal to his fixed and variable remuneration for a time equal to the period of notice that he failed to give. If it is acknowledged that the director is entitled to severance compensation, one of the two years' remuneration will be deemed to have been received by way of consideration for the non-competition undertaking described in section (b) above.

At the Board meeting of 27 February 2017, at the proposal of the Appointments and Remuneration Committee, targets were set for the Executive Chairman for 2017. It was resolved that entitlement to the variable components of remuneration would be subject to reimbursement (and the Company may demand recovery) if the payment is inconsistent with the terms of performance or was made having regard to data later shown to be inaccurate.

In addition, the Company is considering the question of whether or not to include this provision in the new remuneration policy referred to in section A.1 above, in which event the Executive Chairman's contract would have to be modified.

## A.8. Additional remuneration

As of the date of this report, no additional remuneration has accrued as consideration for services rendered other than those attaching to directorships or, as the case may be, to the performance of executive duties.

## A.9. Advances, credits and guarantees granted

As of the date of this report, there were no advances, credits or guarantees granted to members of the Board of Directors of Abengoa.

## A.10. Remuneration in kind

By way of remuneration in kind, the Executive Chairman benefits from a life and accident insurance policy the premiums for which are paid by the Company.

In addition, all Abengoa directors are covered by a civil liability policy arranged by the Company on market terms.

## A.11. Remuneration accrued by directors by virtue of payments made to a third-party entity

No payments were made to any company for the purpose of remunerating the services rendered to Abengoa by external directors.

## A.12. Other payable items

There are no other items payable other than those outlined in previous sections.

## A.13. Actions put in place to reduce risks

To ensure the effective running of the organization and to guarantee the Company's long-term future, in addition to good strategic planning, it is essential that there is accurate and rigorous management that considers the risks associated with the company's activity itself and anticipates how to mitigate them.

Thus, Abengoa has its own global system for managing risks, included within the common management systems, which means risks can be controlled and identified. It is regularly updated for the purpose of creating a culture of common management, achieving the objectives set in the area and having the capacity to adapt in order to mitigate any threats that may surface in an environment as competitive as the present.

Implementation of this system entails:

- Risk management at all levels of the organization, without exception.
- Full integration with strategy and systems to achieve the targets set.
- Full support of Management to evaluate, follow up and comply with guidelines relating to threat management.

This risk management system is based on three tools:

- Mandatory rules (NOC in Spanish).
- Mandatory processes (POC in Spanish).
- The Universal Risk Model (URM).

Compliance is guaranteed through the checks carried out by the Internal Audit Department and at committee meetings regularly held with senior management and the Chairman.

These tools and common management systems are designed from quality standards aimed at complying with international rules and regulations such as ISO 31000 and the Sarbanes-Oxley Act, and have been certified by companies of international repute.

The Universal Risk Model (URM) is the methodology that Abengoa uses to identify, understand and evaluate the risks that may affect the Company. Its main purpose is to obtain a comprehensive view of them, thereby designing an efficient system that is in line with the business goals and objectives of Abengoa.

The URM consists of over 55 risks that belong to 20 different categories grouped into 4 large areas: financial, strategic, regulatory and operational.

The URM is subject to annual revisions to ensure that the calculations designed for each risk are the most appropriate for the day-to-day operations of the Company.

# C. Overall summary of how the remuneration policy was applied during the last financial year

## C.1. Remuneration policy applied during 2016: structure and payable items

The structure and components of the remuneration policy applied in 2016 are described below. A distinction is drawn between remuneration of directors in their capacity as such, and remuneration of directors for the performance of executive duties:

### Remuneration of members of the Board for their condition as such

The structure and components of the remuneration policy applied in 2016 for directors in their capacity as such were as follows:

- Allowances for attendance at meetings of the Board: €1,254 thousand.
- Allowances for attendance at meetings of the Audit Committee and of the Appointments and Remuneration Committee, and for chairing those committees: €161 thousand.

These are aggregate amounts for all directors.

### Remuneration for the performance of duties at the Company other than those attributed to directorship

The structure and components of the remuneration policy applied in 2016 for the performance of executive duties were as follows:

#### (i) Fixed remuneration

Fixed remuneration paid to directors for the performance of executive duties during 2016 in accordance with the contracts approved by the Board at the proposal of the Appointments and Remuneration Committee came to a total of €1,367,500. This figure includes the amounts for: (a) Mr. Gonzalo Urquijo Fernández de Araoz, current Executive President; (b) Mr. Javier Benjumea Llorente until 30 June 2016, when he ceased to be a director; (c) Mr. José Domínguez Abascal until 1 March 2016, when he was relieved of his executive duties; (d) Mr. Antonio Fornieles Melero until 22 November 2016, when he departed from the Board; and (e) Mr. Joaquín Fernández de Piérola Marín until 22 November 2016, when he ceased to be a director.

#### (ii) Annual variable remuneration (bonus)

None of the directors who performed executive duties and were relieved of such duties in the course of 2016, i.e., Mr. Javier Benjumea Llorente, Mr. José Domínguez Abascal, Mr. Antonio Fornieles Melero and Mr. Joaquín Fernández de Piérola Marín, has earned any variable remuneration for that year.

Mr. Gonzalo Urquijo Fernández de Araoz joined the Board of Directors and took office as Executive Chairman on 22 November 2016. As indicated in section A.4, as of the date of this report the Board of Directors had not yet set its targets for the purpose of calculating variable annual remuneration, or the weightings of each target. Therefore, the Executive President likewise has earned no variable annual remuneration for the time during which he performed executive duties in 2016. However, his performance during that period may, if appropriate, be taken into account when setting targets for 2017.

### (iii) Extraordinary variable remuneration plans for senior management

As indicated in section A.4, there are currently two long-term variable remuneration plans for senior management, in which some executive directors took part in 2016. However, the directors who are now members of senior management have waived their rights under those plans.

These plans do not involve remuneration that is linked to the Company share price within the meaning of article 219 of the Spanish Company Law. However, the entitlement to receive such remuneration, but not the amount per se, is conditional on the class B shares of the Company rising to certain quoted prices. This requirement may be disapplied by the Appointments and Remuneration Committee if warranted by exceptional circumstances in the securities markets.

**1. Extraordinary variable remuneration plan for senior management approved in January 2014**

This plan, which replaces and supersedes the earlier extraordinary plan approved in February 2011, was approved by the Board of Directors of the Company in January 2014, in accordance with the proposal of the Appointments and Remuneration Committee.

One of the beneficiaries formerly under the plan was the former CEO and current senior executive manager Mr. Joaquín Fernández de Piérola Marín, among other senior executives. The plan will mature on 31 December 2017.

Entitlement to this remuneration is subject to the following conditions:

a) the beneficiary must remain an employee until the end of the plan;
b) the beneficiary must be entitled to receive an annual bonus in each financial year within the period in question;
c) the extent of fulfillment (of targets) must be 20% per annum, in addition to the requirement that the beneficiary remains as an employee of the Company until 31 December 2017;
d) the consolidated budget of the Business and/or the Abengoa Group for 2017 must have been fulfilled in accordance with the Strategic Plan in effect at the given time.
e) the average price of Abengoa class B shares over the last three months of 2017 must remain above a certain value.

If a plan beneficiary loses that status before the end of the plan (whether voluntarily or as a result of dismissal for cause), he/she will lose his/her entitlement to any payment under the plan.

If a beneficiary dies, the plan terminates, and his/her heirs are entitled, depending on the seniority of the decedent executive, to the entire amount or the vested amount to which he/she would have been entitled for the financial period ended before his/her death.

If a beneficiary retires by virtue of reaching retirement age or of a declaration of absolute permanent disability (preventing him/her from doing any other kind of work) before the end of the term of effect of the plan, he/she will be entitled to the amount that vested during fully completed financial periods as of the date of retirement, provided that the rest of stipulated conditions are satisfied.

At year-end 2016, no expense was recognized in respect of the plan, because it was believed that the stipulated conditions were unlikely to be satisfied, in view of the Company's present state of affairs, which led to the filing of the notice required under article 5 bis of the Insolvency Law (**Ley 22/2003, de 9 de julio, Concursal**) and to the financial restructuring process in which the Company has been involved until early 2017. However, if the plan were ever implemented, the executive directors who took part in 2016 and who today are members of senior management (Mr. Joaquín Fernández de Piérola) would not be entitled to any amount, because they have waived their rights under those plans.

**2. Extraordinary variable remuneration plan for senior management approved in July 2014**

This plan was approved by the Board of Directors of the Company in July 2014, in accordance with the proposal of the Appointments and Remuneration Committee.

One of the beneficiaries formerly under the plan was the former CEO and current senior executive manager Mr. Joaquín Fernández de Piérola Marín, among other senior executives. The duration of the plan is five years (2014-2018), such that it will mature on 31 December 2018.

Entitlement to this remuneration is subject to the following conditions:

a) the beneficiary must remain an employee until the end of the plan;
b) where an executive's remuneration is wholly or partly linked to the fulfillment of personal targets, the beneficiary must have been entitled to the annual bonus;
c) the extent of fulfillment (of targets) must be 20% per annum, in addition to the requirement that the beneficiary remains as an employee of the Company until 31 December 2018;
d) the average price of Abengoa class B shares over the last three months of 2018 must remain above a certain value.

If the executive's employment terminates (voluntarily or by dismissal), the plan terminates and no remuneration accrues.

If a beneficiary dies, the plan terminates, and his/her heirs are entitled, depending on the seniority of the decedent executive, to the entire amount or the vested amount to which he/she would have been entitled for the financial period ended before his/her death.

If a beneficiary retires by virtue of reaching retirement age or of a declaration of absolute permanent disability (preventing him/her from doing any other kind of work) before the end of the term of effect of the plan, he/she will be entitled to the amount that vested during fully completed financial periods as of the date of retirement, provided that the rest of stipulated conditions are satisfied.

At year-end 2016, no expense was recognized in respect of the plan, because it was believed that the stipulated conditions were unlikely to be satisfied, in view of the Company's present state of affairs, which led to the filing of the notice required under article 5 bis of the Insolvency Law and to the financial restructuring process in which the Company has been involved until early 2017. However, the executive directors who took part in 2016 and who today are members of senior management (Mr. Joaquín Fernández de Piérola) would not be entitled to any amount, because they have waived their rights under those plans.

### (iv) Exceptional compensation due to the former Executive Chairman

The contract with the former Executive Chairman, Mr. José Domínguez Abascal, entitled him to receive as exceptional compensation for 2016 an amount equal to his gross fixed annual remuneration of € 700,000, subject to the following conditions being satisfied in the course of 2016:

- agreement to be reached with financial and/or trade creditors in the process of restructuring of the Company balance sheet; and/or
- as the case might be, agreement to be reached with investors for their entry into Abengoa's shareholder structure, or otherwise shoring up the Company's equity and/or resolving the Company's present financial position; and

in both cases or in either case, a declaration of insolvency of the Company in 2016 to be avoided, or, if not avoided, such insolvent status to be lifted within 2016.

On 7 March 2016, at the proposal of the Appointments and Remuneration Committee, the Board determined that, as of the date of Mr. Domínguez's departure from office as Executive Chairman of Abengoa, the conditions of entitlement to that remuneration had not been satisfied, and therefore no payment would be made.

### (v) Indemnities

None of the directors who performed executive duties and were relieved of such duties in the course of 2016, i.e., Mr. Javier Benjumea Llorente, Mr. José Domínguez Abascal, Mr. Antonio Fornieles Melero and Mr. Joaquín Fernández de Piérola Marín, has earned any amount by way of severance compensation or of consideration for post-contractual non-competition undertakings.

See section E "Other information of interest", Note 1 to section C.1.

### (vi) Remuneration in kind

In 2016, the Executive Chairman, Mr. Gonzalo Urquijo Fernández de Araoz, and, until their respective departures as executive directors, Mr. Javier Benjumea Llorente, Mr. José Domínguez Abascal, Mr. Antonio Fornieles Melero and Mr. Joaquín Fernández de Piérola Marín, were beneficiaries of life and accident insurance paid for by the Company.

The premiums paid came to a total of € 874.

### (vii) Other items Advances, credits and guarantees. Payments to third parties. Additional remuneration

In 2016, none of the directors of Abengoa earned any remuneration for the performance of executive duties in respect of items other than those enumerated in sections (i) to (vi) above.

In 2016 no advances, credits or guarantees were granted to directors; no payments were made to any entity as consideration for services provided to Abengoa by external directors; and no additional remuneration was paid to directors as consideration for services rendered other than those attaching to their position as directors or, as the case may be, the performance of executive duties.

See section E "Other information of interest", Note 2 to section C.1.

# D. Breakdown of individual remuneration accrued by each director

## D.1. Breakdown of individual remuneration accrued by directors

**a) Remuneration accrued at Abengoa, S.A. (in thousands of euros):**

| Name | Type | Period | Salary | Fixed remuneration | Attendance fees | Short-term variable remuneration | Long-term variable remuneration | Remuneration for membership of Board committees | Indemnities | Other items | Total 2016 | Total 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Felipe Benjumea Llorente [1] | Executive | 01/01/15-23/09/15 | | | | | | | | | | 15,671 |
| Aplidig, S.L. [1] | Executive | 01/01/15-19/015 | | | | | | | | | | 2,804 |
| Manuel Sánchez Ortega [1] | Executive | 01/01/15-27/07/15 | | | | | | | | | | 8,388 |
| María Teresa Benjumea Llorente [1] | Proprietary | 01/01/15-10/10/15 | | | | | | | | | | 43 |
| Fernando Solís Martínez Campos [1] | Proprietary | 01/01/15-10/10/15 | | | | | | | | | | 57 |
| Carlos Sundheim Losada [1] | Proprietary | 01/01/15-10/10/15 | | | | | | | | | | 57 |
| Santiago Seage Medela [1] | Executive | 18/05/15-27/11/15 | | | | | | | | | | 594 |
| Javier Benjumea Llorente [2] | Executive | 01/01-30/06 | 60 | | 51 | | | | | | 111 | 2,600 |
| José Borrell Fontelles [3] | Independent | 01/01-22/11 | | | 145 | | | 40 | | | 185 | 300 |
| Mercedes Gracia Díez [3] | Independent | 01/01-22/11 | | | 145 | | | 40 | | | 185 | 200 |
| Ricardo Martínez Rico [3] | Independent | 01/01-22/11 | | | 100 | | | | | | 100 | 130 |
| Alicia Velarde Valiente [3] | Independent | 01/01-22/11 | | | 136 | | | 40 | | | 176 | 150 |
| Ricardo Hausmann [3] | Independent | 01/01-22/11 | | | 229 | | | | | | 229 | 280 |
| José Joaquín Abaurre Llorente [3] | Proprietary | 01/01-22/11 | | | 100 | | | | | | 100 | 150 |
| José Luis Aya Abaurre [4] | Proprietary | 01/01-12/02 | | | 20 | | | | | | 20 | 150 |
| Inayaba, S.L. [3] [5] | Proprietary | 07/03-22/11 | | | 80 | | | | | | 80 | – |
| Claudi Santiago Ponsa [6] | Proprietary | 01/01-25/05 | | | 36 | | | | | | 36 | 78 |
| Ignacio Solís Guardiola [3] | Proprietary | 01/01-22/11 | | | 71 | | | | | | 71 | 78 |
| Antonio Fornieles Melero [3] [7] | Independent/Executive | 01/01-22/11 | 509 | | 29 | | | 10 | | | 548 | 195 |
| José Domínguez Abascal [8] | Executive/External | 01/01-18/04 | 119 | | | | | | | | 119 | 175 |
| Joaquín Fernández de Piérola Marín [3] [9] | Executive | 01/01-22/11 | 571 | | | | | | | | 571 | 23 |
| Gonzalo Urquijo Fernández de Araoz [10] | Executive | 22/11-31/12 | 108 | | 16 | | | | | | 124 | |
| Manuel Castro Aladro [11] | Independent | 22/11-31/12 | | | 16 | | | 3 | | | 19 | |
| José Wahnon Levy [11] | Independent | 22/11-31/12 | | | 16 | | | 5 | | | 21 | |
| Pilar Cavero Mestre [11] | Independent | 22/11-31/12 | | | 16 | | | 10 | | | 26 | |

| Name | Type | Period | Salary | Fixed remuneration | Attendance fees | Short-term variable remuneration | Long-term variable remuneration | Remuneration for membership of Board committees | Indemnities | Other items | Total 2016 | Total 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| José Luis del Valle Doblado (17) | Independent | 22/11-31/12 | | | 16 | | | 3 | | | 19 | |
| Javier Targhetta Roza (17) | Independent | 22/11-31/12 | | | 16 | | | 5 | | | 21 | |
| Ramón Sotomayor Jáuregui (17) | Independent | 22/11-31/12 | | | 16 | | | 5 | | | 21 | |
| Total | | | 1,367 | 0 | 1,254 | 0 | 0 | 161 | 0 | 0 | 2,782 | 32,123 |

Note (1): Mr. Felipe Benjumea Llorente, Aplidig, S.L., Mr. Manuel Sánchez Ortega, Ms. María Teresa Benjumea Llorente, Mr. Fernando Solís Martínez Campos, Mr. Carlos Sundheim Losada and Mr. Santiago Seage Medela ceased to be directors of Abengoa in the course of 2015. Specifically:

- Mr. Felipe Benjumea Llorente tendered his resignation as a director of Abengoa in a letter addressed to the Board and dated 23 September 2015, as a result of his having been removed from the Executive Chairmanship and as part of a range of undertakings given by the Company to certain banks. That Mr. Felipe Benjumea should resign was a non-negotiable condition imposed by the underwriting and financing banks in the context of a capital increase which the Company needed to undertake. Later, during the third quarter of 2015 and up until 1 March 2016, he acted as an adviser to the Board under a consultancy contract entered into with Abengoa. The contract terminated on the latter date. Mr. Benjumea Llorente has waived his entitlement to any amount he might otherwise have been paid under the contract.
- Aplidig, S.L., represented by Mr. José B. Terceiro Lomba, resigned as a director of Abengoa on 19 January 2015.
- Mr. Sánchez Ortega resigned as CEO of Abengoa on 18 May 2015, when he was replaced by Mr. Santiago Seage Medela. Later, on 27 July 2015, he also resigned as a director of the Company. Until his resignation as a director of Abengoa on 27 July 2015, Mr. Sánchez Ortega performed a range of duties intended to ease the transition to the leadership of the new CEO of the Company, under a commercial service provision contract.
- Ms. Benjumea Llorente resigned as a director of Abengoa on 18 May 2015. She later rejoined the Board on 27 July 2015. Finally, on 10 October 2015, at the extraordinary General Shareholders' Meeting held on that date, she again resigned as a director of Abengoa.
- Mr. Solís Martínez-Campos tendered his resignation as a director of Abengoa on 10 October 2015 at the extraordinary General Shareholders' Meeting held on that day.
- Mr. Sundheim Losada tendered his resignation as a director of Abengoa on 10 October 2015 at the extraordinary General Shareholders' Meeting held on that day.
- Mr. Seage Medela was appointed member of the Board and CEO of Abengoa on 18 May 2015, replacing Mr. Sánchez Ortega. He later resigned as CEO of Abengoa and as a director on 27 November 2015.

In 2016, no remuneration accrued to the persons referred to above either in their capacity as directors or for the performance of executive duties. The data on their remuneration is limited to 2015, and is presented in aggregate form for purposes of comparison.

Note (2): Mr. Javier Benjumea Llorente was removed from his position as a director at the General Shareholders' Meeting held on 30 June 2016.

Note (3): Mr. Antonio Fornieles Melero, Mr. Joaquín Fernández de Piérola Marín, Ms. Alicia Velarde Valiente, Ms. Mercedes Gracia Díez, Mr. José Borrell Fontelles, Mr. Ricardo Hausmann, Mr. Ricardo Martínez Rico, Mr. José Joaquín Abaurre Llorente, Inayaba, S.L. (represented by Ms. Ana Abaurrea Aya) and Mr. Ignacio Solís Guardiola tendered their respective resignations as directors on 22 November 2016.

Note (4): Mr. José Luis Aya Abaurre died on February 2016.

Note (5): Inayaba, S.L. was appointed as a proprietary director of Abengoa on 7 March 2016, replacing Mr. Aya Abaurre. Inayaba, S.L. appointed as its natural-person representative Ms. Ana Abaurrea Aya.

Note (6): Mr. Claudi Santiago Ponsa resigned as a director on 25 May 2016.

Note (7): Mr. Fornieles Melero was appointed as an independent director of Abengoa on 19 January 2015, replacing Aplidig, S.L. Subsequently, on 1 March 2016, Mr. Fornieles Melero was appointed as Executive Chairman of the Board of Abengoa to replace Mr. José Domínguez Abascal.

Note (8): Mr. Domínguez Abascal was appointed as a proprietary director and as non-executive Chairman of the Board of Abengoa on 23 September 2015, replacing Mr. Felipe Benjumea Llorente. Later, on 27 November 2015, the Board of Abengoa delegated to Mr. Domínguez Abascal all powers that are delegable under the law and the Bylaws. Later, on 1 March 2016, Mr. Domínguez Abascal was removed from the Executive Chairmanship of the Board of Abengoa. He was replaced by Mr. Fornieles Melero, and from that date onward held the status of external director.

Note (9): Mr. Fernández de Piérola Marín was appointed as a director and senior executive manager of Abengoa, replacing Mr. Seage Medela, on 27 November 2015. Until his appointment as director and senior executive manager, Mr. Fernández de Piérola Marín had been chairman of the board of Abengoa México, S.A. de C.V. Later, on 1 March 2016, Mr. Fernández de Piérola Marín was appointed Chief Executive Officer of Abengoa.

Note (10): Mr. Urquijo Fernández de Araoz was appointed as an independent adviser to the Board of Abengoa, without a directorship, on 10 August 2016. Later, on 22 November 2016, he was appointed as an executive director and as Chairman of the Board of Abengoa, replacing Mr. Antonio Fornieles Melero.

Note (11): Mr. Castro Aladro, Mr. Wahnon Levy, Mr. Cavero Mestre, Mr. del Valle Doblado, Mr. Targhetta Roza and Mr. Sotomayor Jáuregui were appointed as independent directors of Abengoa on 22 November 2016, replacing the previous members of the Board of Directors, who resigned on that day.

As indicated in previous sections, the Company does not have in place any share-based payment scheme or long-term savings scheme. As of the date of this report, furthermore, there were no advances, credits or guarantees granted to members of the Board of Directors of Abengoa.

In 2016, the Company paid € 0.874 thousand for life and accident insurance premiums covering the following executive directors:

| Name / type | 2016 | 2015 |
|---|---|---|
| Felipe Benjumea Llorente / Executive | – | 0.4 |
| Manuel Sánchez Ortega / Executive | – | 0.3 |
| Javier Benjumea Llorente / Executive | 0.213 | 0.5 |
| Santiago Seage Medela / Executive | – | 0.2 |
| José Domínguez Abascal / Executive | 0.123 | 0.5 |
| Antonio Fornieles Melero / Executive | 0.293 | – |
| Joaquín Fernández de Piérola Marín / Executive | 0.203 | 0.1 |
| Gonzalo Urquijo Fernández de Araoz / Executive | 0.042(1) | – |
| Total | 0.874 | 2.1 |

Note (1): The figure for Mr. Urquijo is estimated, because the respective invoice has not yet been received.

## b) Remuneration accrued by the directors of Abengoa, S.A. for membership of Boards in other Group companies (in thousands of euros):

| Name | Type | Accrual period 2016 | Salary | Fixed remuneration | Attend-ance fees | Short-term variable remunera-tion | Long-term variable re-muneration | Remuneration for membership of Board committees | Indemnities | Other items | Total 2016 | Total 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Javier Benjumea Llorente (1) | Executive | 01/01-30/06 | | | | | | | | | – | 52(2) |
| Total | | | – | – | – | – | – | – | – | – | – | 52 |

Note (1): Mr. Benjumea Llorente resigned as a director of Abengoa Bioenergía, S.A. on 29 January 2016, and has not earned remuneration in any form in that respect in 2016.

Note (2): The total figure accrued in 2016 is shown, although as of the date of issue of this report the amount of € 13 thousand for allowances relating to Abengoa Bioenergía, S.A. board meetings in 2015 is still pending payment.

## c) Summary of the remuneration (in thousands of euros):

| | | Remuneration accrued at the Company | | | | Remuneration accrued at Group companies | | | | Totals | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Type | Total remuneration in cash | Value of shares granted | Gross gain on share options exercised | Total 2016 company | Total remuneration in cash | Value of shares granted | Gross gain on share options exercised | Total 2016 Group | Total 2016 | Total 2015 | Contribution to the savings scheme during the financial year |
| Felipe Benjumea Llorente | Executive | – | – | – | – | – | – | – | – | – | 15,671 | – |
| Aplidig, S.L. | Executive | – | – | – | – | – | – | – | – | – | 2,804 | – |
| Manuel Sánchez Ortega | Executive | – | – | – | – | – | – | – | – | – | 8,388 | – |
| María Teresa Benjumea Llorente | Proprietary | – | – | – | – | – | – | – | – | – | 61 | – |
| Fernando Solís Martínez Campos | Proprietary | – | – | – | – | – | – | – | – | – | 57 | – |
| Carlos Sundheim Losada | Proprietary | – | – | – | – | – | – | – | – | – | 57 | – |
| Santiago Seage Medela | Executive | – | – | – | – | – | – | – | – | – | 594 | – |
| Javier Benjumea Llorente | Executive | 111 | – | – | 111 | – | – | – | – | 111 | 2,652 | – |
| José Borrell Fontelles | Independent | 185 | – | – | 185 | – | – | – | – | 185 | 300 | – |
| Mercedes Gracia Díez | Independent | 185 | – | – | 185 | – | – | – | – | 185 | 200 | – |
| Ricardo Martínez Rico | Independent | 100 | – | – | 100 | – | – | – | – | 100 | 130 | – |
| Alicia Velarde Valiente | Independent | 176 | – | – | 176 | – | – | – | – | 176 | 150 | – |
| Ricardo Hausmann | Independent | 229 | – | – | 229 | – | – | – | – | 229 | 280 | – |
| José Joaquín Abaurre Llorente | Proprietary | 100 | – | – | 100 | – | – | – | – | 100 | 150 | – |
| José Luis Aya Abaurre | Proprietary | 20 | – | – | 20 | – | – | – | – | 20 | 150 | – |
| Inayaba, S.L. | Proprietary | 80 | – | – | 80 | – | – | – | – | 80 | – | |
| Claudi Santiago Ponsa | Proprietary | 36 | – | – | 36 | – | – | – | – | 36 | 78 | – |
| Ignacio Solís Guardiola | Proprietary | 71 | – | – | 71 | – | – | – | – | 71 | 78 | – |
| Antonio Fornieles Melero | Independent/ Executive | 548 | – | – | 548 | – | – | – | – | 548 | 195 | – |
| José Domínguez Abascal | Executive/External | 119 | – | – | 119 | – | – | – | – | 119 | 175 | – |
| Joaquín Fernández de Piérola Marín | Executive | 571 | – | – | 571 | – | – | – | – | 571 | 23 | – |
| Gonzalo Urquijo Fernández de Araoz | Executive | 124 | – | – | 124 | – | – | – | – | 124 | – | – |
| Manuel Castro Aladro | Independent | 19 | – | – | 19 | – | – | – | – | 19 | – | – |
| José Wahnon Levy | Independent | 21 | – | – | 21 | – | – | – | – | 21 | – | – |
| Pilar Cavero Mestre | Independent | 26 | – | – | 26 | – | – | – | – | 26 | – | – |
| José Luis del Valle Doblado | Independent | 19 | – | – | 19 | – | – | – | – | 19 | – | – |
| Javier Targhetta Roza | Independent | 21 | – | – | 21 | – | – | – | – | 21 | – | – |
| Ramón Sotomayor Jáuregui | Independent | 21 | – | – | 21 | – | – | – | – | 21 | – | |
| Total | | 2,782 | – | – | 2,782 | – | – | – | – | 2,782 | 32,193 | – |

## D.2. Relationship between remuneration and profit/loss of the Company

Remuneration of executive directors at Abengoa is linked to Company performance through the variable components described in sections A.4 and C.1:

- annual variable remuneration (bonus) is linked to the fulfillment of targets chiefly tied to EBITDA and such other benchmarks as the Board may adopt at the proposal of the Appointments and Remuneration Committee; and
- multiannual variable remuneration, which in 2016 was structured as participation in extraordinary variable remuneration plans for senior management, likewise described in sections A.4 and C.1. Those plans will mature on 31 December 2017 and 31 December 2018, respectively.

In 2016, the process of restructuring the Company has affected its business, performance and share price. Hence, in connection with multiannual variable remuneration, the Company has not recognized any provision for payments to directors under those plans, on the basis that the requirements for any such payments to crystallize are unlikely to be satisfied. As to annual variable remuneration, for the reasons indicated in section C.1, no bonus has accrued for the benefit of any director in connection with his/her performance of executive duties in 2016.

## D.3. Result of advisory voting of the General Shareholders' Meeting regarding the annual report on remuneration of the previous financial year

| | Number | % of total |
|---|---|---|
| Votes cast | 4,925,363,405 | 53.5733 % |

| | Number | % of votes cast |
|---|---|---|
| Votes in favour | 4,834,923,576 | 98.1638 % |
| Votes against | 89,796,575 | 1.8231 % |
| Abstentions | 643,254 | 0.0131 % |

# E. Other information of interest

Note 1 to section C.1. – **Remuneration policy applied during 2016: structure and payable items**

As to the absence of severance compensation or consideration for post-contractual non-competition undertakings accruing for the benefit of directors who performed executive duties and were relieved of them in 2016, the following disclosures are now made:

- The commercial contract with the former Chief Executive Officer, Mr. Joaquín Fernández de Piérola Marín, entitled him to compensation equal to 100 % of the remuneration received by Mr. Joaquín Fernández de Piérola Marín in the immediately preceding financial year, in the event of early termination of his contractual relationship with the Company– if not triggered by breach of his duties and obligations in his capacity as CEO and not due exclusively to his own volition–. That amount was also recognized by way of consideration for post-contractual non-competition.

  These two forms of indemnity were incompatible, hence, if the director were to receive the indemnity for early termination, he would not be entitled to the consideration for the non-competition undertaking. Breach of the obligation of non-competition would at all events entail the return of the indemnity amount by the executive director, regardless of the basis on which such indemnity was received.

  On 22 November 2016, Mr. Fernández de Piérola Marín resigned from his directorship, and all his functions and powers were revoked. On that same day, the Board appointed him as senior executive manager of the Group, while also (i) terminating his contract as an executive director, and (ii) entering into a fresh contract having regard to his capacity as senior executive manager. This being so, because the relationship between the company and Mr. Fernández de Piérola continued, no severance compensation accrued for his benefit.

- Under the commercial service provision contract entered into with the former Executive Chairman Mr. José Domínguez Abascal, he was entitled, if the Company were to remove him, either to severance compensation for early termination and post-contractual non-competition – which in Mr. Domínguez Abascal's case would come to an amount equal to 100 % of the remuneration accrued during the immediately preceding financial year – or to his being restored to his former position of employment. After his termination as Executive Chairman, Mr. Domínguez Abascal elected to be restored to his former position of employment.

Note 2 to section C.1. – **Remuneration policy applied during 2016: structure and payable items**

Mr. Urquijo Fernández de Araoz, before he was appointed as a director, was appointed as an independent adviser to the Board of Abengoa on 10 August 2016, and therefore entered into the appropriate contract with the Company. On 22 November 2016, he was appointed as an executive director and as Chairman of the Board of Abengoa, replacing Mr. Antonio Fornieles Melero. On that same day, the consultancy contract by which he was formerly tied to the Company was terminated. The total amount received by Mr. Urquijo Fernández de Araoz in that capacity as an independent advisor came to a gross figure of € 17,000.

This annual remuneration report was adopted unanimously by the Company's Board of Directors at its meeting held on 27 February 2017.