

01. A message from
the chairman





**Gonzalo Urquijo
Fernández de Arazo**
Chairman of Abengoa

Dear all,

Once again, I would like to start this letter by talking about Health and Safety. As you know, here at Abengoa our first and most important concern is for people. Our commitment in this area is unconditional. In this regard, we are proud of having achieved a significant improvement in the Health and Safety indicators for 2018: our Frequency Rate with Sick Leave¹ has been 3.2, 30.4% below the 2017 figure, which means that we have made significant

Note 1 **FRSL = (Number of Accidents with Sick Leave/Number of Hours Worked) *1,000,000. Includes own and subcontracted personnel.**

progress towards achieving our goal of zero accidents in the workplace.

The total number of Abengoa employees as of 31 December 2018 is 13,450, with a distribution of 20.6 % in Spain and 79.4 % abroad.

We have also continued to make progress with our financial results, recording a significant improvement in profitability with respect to 2017. In particular, we posted an Ebitda of € 188 M. I would like to remind you that this metric stood at € 127 million in 2017 and € -241 in 2016.

This increase is mainly due to higher profitability in certain projects, reduction of overheads and decline in consultancy expenses related to the financial restructuring process (€ 28 M). Thus, Ebitda would have reached € 216 million compared to the € 179 million of the 2017 Ebitda without these non-recurring expenses.

Indeed, we continue to advance and take steps towards meeting our growth objective and consolidating the recovery of our business, which has continued to grow in 2018 thanks to new contracts, completion of construction in certain projects, divestment of assets and to new business opportunities in the pipeline for which we are likely to submit a bid.

In 2018 Abengoa was awarded new projects for a total of 1.5 billion euros. Among these, our participation in the largest solar complex in the world, Mohammed bin Rashid Al Maktoum Solar Park, in Dubai and construction of

the largest reverse osmosis desalination plant in Saudi Arabia, in Rabigh, take pride of place. To these can be added the electromechanical installation work of the Lagoh shopping centre (Spain), the engineering and construction works for a mine owned by Shougang Hierro Peru, an electromechanical installation for Codelco, the largest copper supplier in the world (Chile), the substations and transmission lines for Quebrada Blanca mining company (Chile) and the operation and maintenance contracts of solar, water and transmission and distribution plants entered into in Latin America and India.

Furthermore, Abengoa currently has a pipeline of identified projects worth 28 billion euros, within which we prioritise turnkey projects or EPCs for third parties with a value of less than 100 million euros.

We have also completed major projects such as electrification of the Meca-Medina high-speed line in Saudi Arabia, extension of the water treatment plant built in Mexico for Naturgy and the multifunctional Antel Arena space in Montevideo (Uruguay). Likewise, the A3T efficient cogeneration plant in Mexico has been loading energy onto the national grid since December 2018.

As noted above, one of the reasons for this improvement is the significant effort the company is making to reduce overheads and adapt its structure to the current level of activity, always in a socially responsible manner. These expenses amounted to 77 million euros in 2018, a significant improvement compared to 125 million euros in 2017, a year-on-year reduction

that represents a 38 % drop and 83 % compared to 2015.

Moreover, in 2018 we took a major step in the development of our project for the future, made possible once again by the backing and trust of our clients and financial creditors.

As you all know, we launched a new financial restructuring process in the second half of last year, aimed at ensuring the company's future viability, and it was successfully concluded in April 2019.

Due to both the complexity of a transaction that, taken as a whole, involved the largest corporate restructuring in Europe (excluding financial companies) in addition to the ability to maintain and grow the engineering and construction business, the basis for the company's viability, the process put the extraordinary capacity of our team to the test once again.

This new restructuring has met the three main challenges Abengoa faced: satisfying the need for liquidity and working capital to finance our operations, obtaining new guarantee lines to continue developing the engineering and construction business and submitting bids for more projects and providing the company with a capital structure in line with the expected activity level. Abengoa has thus become a viable company that competes on the domestic and international markets in its benchmark sectors.

With respect to divestment, one of the year's key milestones was the sale of our stake in Atlantica Yield. You will recall that

we reached an agreement with Algonquin Power & Utilities Corp (APUC) in 2017 for the sale of the first 25 % of Atlantica Yield for USD 24.25 per share and for the creation of the joint venture AAGES. We are very excited about the new business opportunities that this venture is creating. The agreement was concluded in March 2018.

This year we have also reached a new agreement with Algonquin for the sale of the remaining 16.47 % of our stake in Atlantica Yield at USD 20.90 per share. This represents an 8 % premium on the listed price at the time. The sale was closed in November and therefore Abengoa has divested its total holding in the Nasdaq-listed company. The transaction resulted in total revenues of roughly 950 million dollars at an average sale price of USD 23.00 per share, well above the market price for Atlantica Yield over the period.

This was not the only divestiture carried out in 2018. We continued throughout the year to demonstrate our ability to rotate assets by selling off a variety of smaller assets: the agreement for sale of the Buhaira building, the former corporate headquarters in Seville, for example, or the Covisa cogeneration plant and the IHSA hydroelectric plant, among others.

I would now like to take the opportunity to draw attention to milestones we have reached in recent months in terms of Corporate Social Responsibility. Companies, as the main economic agents in society, have a great responsibility to implement real equality at all levels of their organisation, which is why senior management has set

specific objectives in the Strategic CSR Plan to drive a social change that will have a direct impact on all areas of the organisation.

Our adhesion to the Diversity Charter in Spain through the OTP Group Foundation and, more recently in 2019, to the Eje&CON Code of Good Practices for Talent Management and Improvement of Competitiveness in the company are evidence of the strength of our commitment in this area. We intend to continue our work to achieve these goals.

And we will continue to focus on the development of EPC projects for third parties and on enhancing our competitiveness in our target markets and geographic regions as part of our drive to grow and improve our business indicators.

I would not want to end this message without giving a special vote of thanks to all our stakeholders (clients, employees, shareholders, financial creditors and suppliers, etc.). Without them, without their support and trust, none of the milestones reached last year or those that we have set for the future would have been possible. May these lines serve to convey my trust and support. You can be sure that Abengoa is on the road to recovering its business and the confidence of its markets.

102-10, 102-14, 102-15

