



01. Auditor's
report



This version of the independent auditor's report on the consolidated annual accounts is a free translation from the original, which is prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the independent auditor's report on the consolidated annual account takes precedence over this translation.

Independent auditor's report on the consolidated annual accounts

To the shareholders of Abengoa, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Abengoa, S.A. (the parent company) and subsidiaries (the Group), which comprise the balance sheet as at December 31, 2018, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2018, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty in relation to going concern

We draw attention to the accompanying consolidated statement of financial position that shows that at 31 December 2018 the Group presented negative consolidated equity of €4,251 million and that at that date, the Group's current liabilities exceeded its current assets by €4,360 million. Additionally, the consolidated income statement reflected losses attributable to the parent company of €1,498 million. Note 2.2 to the accompanying consolidated annual accounts describes, among other things, the significant limitations in terms of financial resources that the Group and its parent company have had to deal with in the past few years and how this situation has affected the performance of the operating business, resulting in the slow-down and deterioration of the Group's entire operation and the initiation of different insolvency or judicial bankruptcy proceedings in some of its subsidiaries. Also, at the year end 31 December 2018 the parent company presented positive equity of €99 million after



having recognised losses for the year of €432 million, as a result among other things of the significant impairment recognised on its investments in Group companies, based on estimates of the fair value of its subsidiaries. As indicated in Note 2.2., the fact that the main assumptions taken into account in those estimates have not played out may substantially vary the value of the investments and, in this respect, affect the parent company's equity.

In light of the situation described and the strong pressure on liquidity experienced by the Group, the Group and its parent company negotiated during 2018 and agreed in April 2019 a new financial restructuring that requires, among other things, the validation of the agreements formalised in accordance with the relevant requirements of the Bankruptcy Law, as described in Note 2.2, which also details the main characteristics of the new financial instruments issued, including several bonds convertible into shares of the intermediate holding companies of the Group's operating businesses.

The Group's consolidated negative equity, consolidated negative working capital and losses, the need to homologate the restructuring agreement to ensure the necessary liquidity in the short term, as described in Note 2.2., mentioned above, and the need for strict compliance with the 10 year feasibility plan approved by the directors and the remaining assumptions taken into account in the estimation of the fair value of the Group's subsidiaries, whose materialization is subject to uncertainty and that has a direct effect on the parent company's equity, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore on the recovery of its assets and realisation of its liabilities and the fulfilment of the commitments covered by surety and guarantees for the amounts included in the accompanying consolidated annual accounts.

The parent company's directors have prepared these consolidated annual accounts on a going-concern basis, factoring in, as explained in Note 2.2, that it secures the final validation of the financial restructuring described and the necessary adherence of its financial creditors and its confidence that the main assumptions of the feasibility plan approved, in terms of the business, and those assumptions affecting debt, will be met such that the Group's feasibility is not negatively affected.

Our opinion has not been modified for this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the section *Material uncertainty in relation to going concern*, we have determined that the matters described below are the key audit matters which should be communicated in our report.

Key audit matters

Ten year feasibility plan and valuation of the businesses and financial debt

As detailed in Note 2.2. to the consolidated annual accounts, Group management has carried out, together with the support of an independent expert, the analysis of the fair value of the businesses based on the 10 year feasibility plan and of the financial debt, on a going-concern basis, factoring in certain critical assumptions, including (i) Delivery on the 10 year feasibility plan and assumptions on which it was built, (ii) Consolidation of the business at normalised levels starting in 2029, (iii) Projection of post-restructuring financial debt using discount rates comparable with financial debt relief in determining fair value and (iv) Completion of the financial restructuring process under the terms envisaged.

Given that the drafting of the 10 year feasibility plan is a significant event in the year and that the results of the valuation of the businesses and the financial debt could have a significant effect on the estimation of the recoverable amount of the consolidated assets and the evaluation of the capacity to realise consolidated liabilities as well as on the evaluation of the capacity to deliver on commitments and manage claims in accordance with the amounts included in the consolidated annual accounts and due to the high level of judgement in relation to the basic assumptions considered to the extent that if any fail to materialise, the results of the valuation could be significantly affected, we have considered the 10 year feasibility plan and the assessment of the valuation performed as key to our audit.

How the matters were addressed in the audit

We assessed and questioned the composition of future cash flow forecasts and the process through which they were prepared and recorded in the 10 year feasibility plan approved by the parent company's directors.

With respect to the Group management expert, we carried out the relevant procedures in accordance with prevailing auditing regulations in Spain regarding the use of the work of management's independent experts, including, among other procedures, the evaluation of their competence, independence and integrity, conducting interviews during which certain aspects of their work were discussed.

With respect to the content of the 10 year feasibility plan and the Group's business and financial debt valuation exercise, we questioned and corroborated, with the support of our internal valuation experts, the assumptions contained in the value opinion:

- Compound annual growth rates of revenues and EBITDA taken into account for the period 2019 to 2028 by comparing them with sector forecasts and analysis of comparables.
- The discount rate, assessing the cost of capital for the Group and comparable organisations.
- Long-term growth rates, comparing them with economic and industry forecasts.
- Discount rates applicable to the debt by analysing comparables.

Group management has determined that the calculations were more sensitive to the assumptions relating to revenue growth rates, EBITDA, the discount rate and the long-term growth rate and the discount rates applicable to the debt, as disclosed in Note 2.2 to the consolidated annual accounts.

Key audit matters

How the matters were addressed in the audit

We assessed the reasonableness of the analyses performed and the information included in the consolidated annual accounts in this respect.

As a result of the procedures performed, we consider that the valuation exercise performed by Group management is reasonable and consistent with the evidence obtained, factoring in the high level of judgement and sensitivity inherent in the assumptions used.

Measurement of assets held for sale

At 31 December 2018 the consolidated statement of financial position presents a balance of €2,117 million under assets held for sale and €1,345 million under liabilities held for sale.

These assets and disposal groups of assets held for sale relate to certain lines of business and certain projects that Group management considers not strategic based on an initial asset divestment plan that has been updated based on the 10 year feasibility plan and certain assets securing part of the corporate debt, which Group management is expecting to sell in the short term in order to reduce that debt. The estimation of fair value less cost to sell of the assets and disposal groups of assets described in Note 7 was carried out based on the calculation of the present value of future cash flows of the assets and disposal groups of assets or based on third party binding offers, if any.

The information on assets held for sale is detailed in Notes 2.30, 3 and 7 to the consolidated annual accounts.

We consider this a key audit matter since the preparation of this analysis requires a high level of judgement by Group management in relation to the main assumptions taken into account in the measurement process for assets and disposal groups of assets held for sale.

Our audit procedures included, among other procedures, the evaluation of the design and implementation of the relevant controls established by Group management in relation to the risks associated with the measurement of the assets and disposal groups of assets held for sale as well as tests of the efficiency of certain relevant controls.

Additionally, in those cases in which fair value has been estimated based on a future cash flow estimation model, we assessed the reasonableness of the basic assumptions in terms of revenues and returns factored in by Group management. Moreover, we involved our internal valuation experts on order to corroborate the discount rates used.

In relation to the third party offers received for certain assets and disposal groups of assets, we verified the price included therein, its validity and the feasibility of the offer.

Lastly, we verified that Notes 2.30, 3 and 7 to the consolidated annual accounts contain the appropriate disclosures.

As a result of the procedures performed, we consider that the analysis of the measurement of assets and disposal groups of assets held for sale performed by Group management is reasonable, considering compliance with the assumptions envisaged in the 10 year feasibility plan and consistent with the evidence obtained in the course of our work.

Key audit matters

Recovery of deferred tax assets

At 31 December 2018 the consolidated statement of financial position presents a balance of €137 million under deferred tax assets.

At the year end, Group management has prepared projections for revenues and returns on projects in order to assess the Group's capacity to recover deferred tax assets by projecting the Group's tax bases, factoring in applicable tax legislation and updates of the forecast return on different projects. Group management has factored in the assumptions contained in the 10 year feasibility plan signed off by the Board of Directors in these projections, leading to the recognition of an expense on the derecognition of deferred tax assets amounting to €215 million in 2018.

The information on deferred tax assets is detailed in Notes 2.20, 3 and 24.2 to the consolidated annual accounts.

We consider this a key audit matter since the preparation of these projections requires a high level of judgement by Group management, that affects the estimation of the value of the deferred tax assets whose recovery is probable.

Revenue recognition on engineering and construction contracts

As detailed in note 5 to the consolidated annual accounts, the Group has recognised €1,112 million in revenues from engineering and construction activities during 2018. The Group recognises revenue on this type of contracts based on the recognition of revenue over time, in accordance with IFRS 15, by reference to the percentage of completion of the project.

How the matters were addressed in the audit

Our audit procedures included, among other procedures, the evaluation of the design and implementation of the relevant controls established by Group management in relation to the risks associated with the evaluation of the recovery of the deferred tax assets and tests of the efficiency of certain relevant controls.

Additionally, we evaluated the basic assumptions on which the tax projections were made and their consistency with the Group's 10 year feasibility plan.

We also involved our internal tax experts in considering the reasonableness of the tax assumptions used based on applicable legislation in order to verify that they are complete and appropriate.

Lastly, we verified that Notes 2.20, 3 and 24.2 to the consolidated annual accounts contain the appropriate disclosures.

As a result of the procedures performed, we consider that the analysis of the recovery of deferred tax assets performed by Group management is reasonable, considering compliance with the assumptions envisaged in the 10 year feasibility plan, and consistent with the evidence obtained in the course of our work.

Our audit procedures included, among other procedures, the evaluation of the design and implementation of the relevant controls established by Group management in relation to the risks associated with the revenue recognition process on engineering and construction contracts and tests of the efficiency of certain relevant controls.

Key audit matters

Under the percentage of completion method, Group management uses significant estimates and employs relevant judgement regarding the total costs necessary to execute the contract and the amount of claims that are included, if appropriate, as an increase in contract revenue.

The information on engineering and construction revenues is disclosed in Notes 2.25, 3, 26 and 27 to the consolidated annual accounts.

We consider this a key audit matter given the relevance of the estimates made that primarily affect the occurrence and accuracy of revenues and the cut-off of operations, and their quantitative significance in the consolidated income statement.

How the matters were addressed in the audit

In order to carry out substantive tests, firstly we made a selection applying quantitative and qualitative criteria, like identifying relevant contracts in terms of the total contract selling price or the amount of revenue or margins recognised in the year or the risk associated with the costs not yet incurred to complete the contract, among other factors, and we also applied sampling techniques.

For the projects selected, we obtained the contacts and read them and gained an understanding of the most relevant clauses and their implications and the budgets and the execution monitoring reports for such projects. We carried out the following procedures, among others:

- Analysis of the development of the margins compared with variations in both the selling price and total budgeted costs.
- We assessed the consistency of the estimates made by Group management in the previous year with the real data of the contracts in the current year.
- Recalculation of the level of completion of the projects selected and comparison of the results with the Group's calculation.
- With respect to changes in scope, obtaining the corresponding amendments to the contract signed by the parties.
- For claims being negotiated with customers, we obtained evidence of the technical approvals and status of the economic negotiations.
- Review of a sample of collections.
- We obtained explanations of the reconciliation of the financial information and project monitoring reports provided by project management.

Key audit matters	How the matters were addressed in the audit
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Lastly, we verified that Notes 2.25, 3, 26 and 27 to the consolidated annual accounts contain the appropriate disclosures.

As a result of the procedures performed, we consider that the revenue recognition exercise performed by Group management for engineering and construction contracts is reasonable and consistent with the evidence obtained in the course of our work.

Contingencies

As mentioned in Note 23 to the consolidated annual accounts, the Group has handed over to third parties several bank guarantees and surety to secure certain commitments entered into amounting to €706 million.

Additionally, the Group has handed over to third parties several guarantees through statements of intent and commitments entered into and duly documented amounting to €2,526 million.

The information relating to these commitments and associated claims is disclosed in Notes 2.22, 3.22.2, and 23 to the consolidated annual accounts.

We consider the evaluation of the analysis performed by Group management a key audit matter given the possibility of the Group having to address these commitments and claims within the current financial context and taking into account that both the actual evaluation of the existence of potential non-compliance and the estimation of its potential impact entail the application of a high level of judgement that, if not adequate, could affect the integrity and measurement of the liabilities recognised in this respect in the consolidated annual accounts.

Our audit procedures included, among other procedures, the evaluation of the design and implementation of the relevant controls established by Group management in relation to the risks associated with contingency-related processes and on the measurement and integrity of the associated liabilities and tests on the efficiency of certain relevant controls.

Additionally, we performed an analysis of Group management's judgements reached based on the opinion of its legal, tax and financial departments, after factoring in, if appropriate, the opinion of its external legal and tax advisers and other information available at the time of the evaluation.

In this regard, we obtained a list of guarantees and surety in effect at the year end as well as the information available on the main projects to which they relate and the status of claims and ongoing legal and tax processes. We sent letters of confirmation to the main legal and tax advisers with whom the Group works, for their assessment of such matters, and we assessed this information, along with the status of the Group's principal projects in order to verify the integrity of ongoing claims and assess the probability assigned to each contingency and assess, where warranted, their recognition by the Company.

Also, we involved our internal legal and tax experts in the technical analysis of certain ongoing claims.

Key audit matters	How the matters were addressed in the audit
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Lastly, we verified that Notes 2.22, 3, 22.2 and 23 to the consolidated annual accounts contain the appropriate disclosures.

As a result of the procedures performed, we consider that the analysis of the evaluation and monitoring exercise performed by Group management of the contingencies deriving from the commitments and claims mentioned is reasonable, considering compliance with the assumptions envisaged in the 10 year feasibility plan and consistent with the evidence obtained in the course of our work.

Other matters

The Group's consolidated annual accounts for the year ended 31 December 2017 were audited by other auditors that expressed an unqualified opinion on those consolidated annual accounts on 07 March 2018.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2018 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

- a) A specific level applicable to the non-annual accounts, as well as certain information included in the Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the management report or where applicable, that the management report includes the corresponding reference to the separate non-financial report as stipulated under prevailing regulations and if not, disclose this fact.
- b) A general level applicable to other information included in the consolidated management report that consists of assessing and reporting on the consistency of that information with the consolidated annual accounts, on the basis of the understanding of the Group obtained in the performance of the audit of those annual accounts, without including information other than that obtained as evidence during the audit and assessing and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements; we are required to report them.

On the basis of the work performed, as described in the previous paragraph, the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2018 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.
- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Additional report for the parent company's audit committee

The opinion expressed in this report is consistent with the content of our additional report for the parent company's Audit Committee dated 30 April 2019.

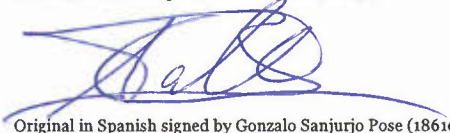
Term of engagement

The General Ordinary Shareholders' Meeting held on June 30th, 2017 appointed us as auditors of the Group for a period of three years, as from the year ended December 31st, 2018.

Services rendered

Non-audit services provided to the Group are detailed in note 33.5 to the consolidated annual accounts

PricewaterhouseCoopers Auditores, S.L. (S0242)



Original in Spanish signed by Gonzalo Sanjurjo Pose (18610)

30 April 2019