# **02.** Consolidated financial statements

02.6 Notes to the consolidated financial statements

# Contents

# Notes to the Consolidated Financial Statements as of December 31, 2018

## Note 1.- General information

Abengoa, S.A.,(referred to hereinafter as "the Company"), is the parent company of the Abengoa Group (referred to hereinafter as "Abengoa" or "the Group"), which at December 31, 2018, was made up of 372 companies: the parent company itself, 334 subsidiaries, 22 associates and 15 joint ventures; likewise, the Group subsidiaries participate in 124 temporary joint operations. Additionally, the Group held a number of interests, of less than 20%, in other entities.

Abengoa, S.A. was incorporated in Seville, Spain, on January 4, 1941 as a Limited Liability Company and was subsequently transformed into a Limited Liability Corporation ("S.A." in Spain) on March 20, 1952. Its registered office is Campus Palmas Altas, 1 Energía Solar St., Seville, 41014.

The Group's corporate purpose is set out in Article 3 of its Bylaws. It covers a wide range of activities, although Abengoa is principally an applied engineering and equipment manufacturer, providing integrated project solutions to customers in the following sectors: energy, telecommunications, transport, water utilities, environmental, industrial and services.

As thoroughly explained in Note 2.2.1.2, on March 31, 2017, the Restructuring Completion Date established in the Restructuring Agreement has taken place and the effective application of such Restructuring Agreement allow the parent company Abengoa, S.A. to rebalance its equity, once the positive effect of the restructuring of the debt to equity swap is registered in the Income Statement of the Company and in the equity.

Abengoa's shares are represented by class A and B shares which are listed the Madrid and Barcelona stock exchanges and on the Spanish Stock Exchange Electronic Trading System (Electronic Market). Class A shares have been listed since November 29, 1996 and class B shares since October 25, 2012.

Abengoa is an international company that applies innovative technology solutions for sustainability in the energy and water sectors, developing energy infrastructures (by producing conventional and renewable energy and transporting and distributing energy), providing solutions to the entire water cycle (by developing water desalination and treatment processes and performing hydraulic structures) and promoting new development and innovation horizons (related to renewable energy storage and new technologies for the promotion of sustainability and of energy and water-use efficiency).

Abengoa`s business is organized under the following two activities:

› Engineering and construction: includes the traditional engineering activities in the energy and water sectors, with more than 75 years of experience in the market. Abengoa is specialized in carrying out complex turnkey projects for thermo-solar plants, solar-gas hybrid plants, conventional generation plants, biofuel plants and water infrastructures, as well as large-scale desalination plants and transmission lines, among others. In addition, it performs activities related to the development of solar thermal and water management technologies and innovative technological business activities such as hydrogen or the management of energy crops.

› Concession-type infrastructures: groups together the company's extensive portfolio of 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 operation of electric energy generation plants (solar, cogeneration or wind), desalination plants and transmission lines. These assets generate low demand risk and the Company focuses on operating them as efficiently as possible.

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, in line with the new 10-year Viability Plan approved by the Board of Directors at their meetings of December 10, 2018 and subsequently on January 21, 2019, 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, 2018 and 2017. The classification has been done in accordance with the IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations'.

These Consolidated financial statements were approved by the Board of Directors on April 29, 2019.

# Note 2. - Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the accompanying Consolidated financial statements are set forth below.

## 2.1. Basis of presentation

The Group's Consolidated financial statements for the year ended December 31, 2018 were prepared by the Directors of the Company in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU), so that they present the faithful image of the Group's equity and financial position as of December 31, 2018 and the consolidated results of its operations, the changes in the consolidated net equity and the consolidated cash flows for the financial year ending on that date.

Unless otherwise stated, the accounting policies set out below have been applied consistently throughout all periods presented within these Consolidated financial statements.

The preparation of the Consolidated financial statements has been done according to IFRS-EU regulations and the going concern principle (see Note 2.2.2). This preparation requires the use of certain critical accounting estimates as well as Management judgment in applying Abengoa's accounting policies. Note 3 provides further information on those areas which involve a higher degree of judgment or areas of complexity for which the assumptions or estimates made are significant to the Financial statements.

On the other hand, inform that Argentina should be considered a hyperinflationary economy for accounting purposes for periods ending after July 1, 2018, since the accumulated inflation for the last three years using the wholesale price index has now exceeded the 100%; this implies that the transactions in 2018 and the non-monetary balances at the end of the period must be restated in accordance with IAS 29-Financial Information in Hyperinflationary Economies, to reflect a current price index at the balance sheet date, before being included in the Consolidated financial statements. Abengoa has subsidiaries in Argentina, whose weight is not relevant in the Consolidated financial statements, therefore the impact derived from this situation has not been significant.

The amounts included within the documents comprising the Consolidated financial statements (Consolidated Statements of Financial Position, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and notes herein) are, unless otherwise stated, all expressed in thousands of Euros.

The percentage of interest in subsidiaries, joint ventures (including temporary joint operations) and associates includes both direct and indirect ownership.

## 2.2. Restructuring process

### 2.2.1.1 Restructuring process situation update

The following summary shows the relevant facts which took place during the year 2018 until the formulation of the present Consolidated financial statements, in relation with the financial restructuring process:

a) In relation to the financial restructuring process realized in Abengoa, it should be noted that;

- In relation to the Restructuring Agreement closed on March 31, 2017, during the year 2018, meetings have continued to be held with the challengers for the purposes of negotiating and reaching an agreement on the claimed debt. Following said negotiation period, a preliminary agreement has been reached with some of the challengers to restructure their debt, either by issuing a new instrument in terms substantially similar to those of the Senior Old Money but equally classified as senior, or by issuing new Senior Old Money securities in the specific case of one of the challengers, as decided by the pertaining challengers. For said purposes, on April 30, 2018 the Group requested its creditors to authorize the implementation of said agreement which was rejected by the creditors.

  On April 25, 2019 the Company informed that, within the Restructuring Agreement framework, an agreement had been reached with the challengers to refinance said debt as part of the Senior Old Money instruments, all within the terms set forth in said Restructuring Agreement (see Note 2.2.2.).

  In some cases, the real debt held so far by the challengers will be assumed by Abengoa Abenewco 2bis and subsequently exchanged for SOM (Senior Old Money) convertible notes for an approximate amount of USD 76.6 million and €77.0 million, plus an additional contingent amount to be determined in light of future eventualities. In other cases, the debt has been traded by applying payments or payment commitments, debt relief and debt payment extensions, for an approximate amount of €23 million. The aforesaid negotiated agreements allow to eliminate the risk that existed up to now derived from claims.

- In addition to the aforementioned, and as Note 2.2.2. explains, the Company remains working on additional actions that allow to ensure its viability in the short and medium term. In this respect, the Board of Directors approved, at their meetings of December 10, 2018 and January 21, 2019, a new 10-year Viability Plan which, along with the new financial restructuring process will allow it to continue with its activity in a competitive and sustainable manner in the future.

b) On the other hand, in relation to the proceedings in Brazil related to the transmission line activity, on the occasion of the mentioned situation of Abengoa, it should be known that;

- A ruling was issued in the Judicial Recovery process on December 2, 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 on December 31, 2016 at which the Ministry of Mines and Energy, the ANEEL representative and the judicial administrator were called to appear. The creditor´s meeting, initially scheduled on March 31, 2017, was proposed for the end of May 2017.

- On May 30, 2017 was set Trial for the vote on the reorganization plan of Brazilian companies immersed “Recuperação Judicial” proceedings.

- On August 16, 2017, a new Plan of Judicial Recovery was presented to be approved in the Creditors’ General Assembly.

- On August 18, 2017, in the framework of the process of “Recuperação judicial” of Abengoa Concessões (approved by 73.91% of common creditors), Abengoa Construção (approved by 87.65% of common creditors) and Abengoa Greenfield (approved by 100% common creditors), the company's reorganization plan was approved by the majority of its creditors during the General Meeting of Creditors held on the same date.

- Notwithstanding the foregoing, in accordance with Brazilian bankruptcy law, the resolutions adopted at the General Meeting of Creditors must be ratified by the competent judicial authority in order to review the legality of the reorganization agreement reached. As of the date of the publication of the present Consolidated financial statements, the Company is not aware of the publication of mentioned judicial resolution.

- On September 19, 2017, the Ministry of Mines and Energy, based on the recommendation of ANEEL, declared the expiration of the 9 concession contracts of Greenfield projects. Against that administrative decision, several actions are possible, through administrative and judicial proceedings; however, the approved Judicial Recovery Plan considers this situation and provides alternative measures even if the annulment of that decision is not obtained.

- On November 8, 2017 the Approval Ruling for the Judicial Recovery is published, by which the plan, to be executed in two years, has been approved.

- In December 2017, a judgement unfavorable to Abengoa’s interests was pronounced in relation to the appeal filed by ANEEL on the judge’s decision on the Judicial Recovery, by which the expiration proceedings were included in the Judicial Recovery. Abengoa has filed an appeal against this resolution

- On December 13, 2017, brown field assets were awarded to Texas Pacific Group through public auction as provided in the Judicial Recovery for an amount of BRL 482 million, subject to conditions precedent.

- In the month of June 2018, all the conditions precedent were fulfilled, resulting in the closing of the operation and the transmission of the assets in operation to the Texas Pacific Group, paying 80% of the price of the assets, which are used to process the payments to creditors as established in the Judicial Recovery Plan. The remaining 20% of the price has been paid during the third quarter of 2018, coinciding with the completion of the audit of the assets.

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

- On February 8, 2018 the United States Bankruptcy Court for the District of Kansas issued an order that confirmed the liquidation plan for Abengoa Bioenergy Biomass of Kansas.

- In relation with Chapter 11 proceedings conducted in Missouri, on June 8, 2017, the Eastern District Bankruptcy Court of the Eastern District of Missouri issued the order confirming the approval of the settlement plans for Abengoa Bioenergy Operations, LLC; Abengoa Bioenergy Meramec Renewable, LLC; Abengoa Bioenergy Funding, LLC; Abengoa Bioenergy Maple, LLC; Abengoa Bioenergy Indiana LLC; Abengoa Bioenergy Illinois LLC; Abengoa Bioenergy US Holding LLC; Abengoa Bioenergy Trading US LLC; Abengoa Bioenergy Outsourcing LLC; Abengoa Bioenergy of Nebraska LLC; Abengoa Bioenergy Engineering & Construction LLC; y Abengoa Bioenergy Company LLC.

› In relation to the Chapter 11 processes conducted in Delaware, during the month of November 2017 the Plan approved by all creditors, consisting on a business reorganization for some companies and liquidation for others, and on the restructuring of their debt consisting of a debt write off based on a recovery plan, entered into effect. As the conditions of the new debt agreed upon with the creditors in the restructuring agreement were substantially modified, the requirements set forth in the IAS 39 "Financial Instruments: Recognition and Measurement" were applied, derecognizing the debt refinanced at book value, registering the equity instrument to be handed over at fair value and recognizing the difference between both amounts in the Income statement. All of the above had an impact on the consolidated income statement at December 31, 2017 for €116 million that was recognized under Other finance income.

› The Delaware Reorganization Plan continues to be managed by the *Responsible Person* designated by the Court while the Liquidation Plan continues to be administered by the *Liquidating Trustee* appointed by the Court. In both cases, both the *Responsible Person* and the *Liquidating Trustee* have the obligation to examine the insinuations of debt and claims filed by the different debtors in order to determine the origin of the same. The *Responsible Person* and the *Liquidating Trustee* are responsible for accepting the origin or not of the debts and claims as well as their transaction, if applicable. The Chapter 11 process is therefore kept open until all the claims filed by the debtors are resolved and all the requirements set forth in the plan are met, including the dissolutions and liquidations of the companies.

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;

› On January 17, 2018 a meeting was held with the creditors where the Company's definitive liabilities amount was tried to be established. However, no agreement was reached by some of the creditors, leaving it up to the courts to clarify whether there are debt collection rights or not against the Company.

› During the 2018 period, and as a continuation to the normal company liquidation procedure, the insolvency administrator has made a preliminary distribution of the available funds following the sale of the asset among the insolvency estate's creditors. At present, the insolvency administrator continues verifying the accuracy and origin of certain creditor claims, pursuant to the usual insolvency and liquidation procedures in the Netherlands. At last, the insolvency administrator has rejected the right to claim part of these credits against the insolvency estate, and no objection has been filed by the holders of said credits. The liquidator continues with the distribution of part of the funds retained for this procedure in the normal course of the insolvency proceeding.

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

› On June 15, 2017 the Insolvency Agreement signed by the Company and a majority of its creditors was filed by the conciliator of the insolvency proceedings on the Sixth Court in Civil Affairs of Mexico City.

The Agreement has been signed by 95.696% of its total creditors according to Mexican Bankruptcy Law. In relation solely to common creditors, 82.966% of adhesion has been reached. The mentioned Agreement, applicable to all creditors of Abengoa Mexico once approved, provides for a restructuring of the debt contracted with all its creditors at nominal value and with a fair treatment of them. As for terms, the debt would start to be settled in March 2018 and would end in December 2021.

› On June 28, 2017, the Sixth Court in Civil Affairs of Mexico City issued a judicial decision suspending the approval of the insolvency agreement pending the resolution of appeals against the resolution of the awards of claims presented by different creditors. Against that resolution of suspension were presented both by Abemex, as by the conciliator and by different creditors, appeals favorably resolved and by virtue of which the Sixth Court in Civil Affairs of Mexico City issued a favorable ruling to approve the insolvency agreement on January 22, 2018.

› By virtue of the approved Bankruptcy Agreement, Abengoa México S.A. de C.V. (hereinafter Abemex), committed to make a payment to its recognized common creditors of 10% the final credit's outstanding principal balance in two installments; the first, on March 25, 2018, and the second, on June 25, 2018 ("Second Principal Term"). In addition, the first period of ordinary interest runs from the date on which the judgment of approval took effect until June 25, 2018. Said ordinary interest must be paid in three installments, the first payment being on June 25, 2018 ("First Third of Interest").

In relation to the foregoing, and as regards the payment of the Second Principal Term and the First Term of the First Third of Interest:

(i) 50% of the amount corresponding to the Second Principal Term and the First Third of Interest for the first period was paid by Abemex on June 26, 2018, as communicated through a relevant event of the same date as the payment to the Mexican Stock Exchange; and

(ii) the remaining 50% of the amount corresponding to the Second Principal Term and the First Third of Interest for the first period was paid by Abemex on July 5, 2018, as communicated by means of a relevant event dated July 6, 2018 to the Mexican Stock Exchange.

Although the previous payments have been a breach of Abemex of the obligations assumed in the Bankruptcy Agreement, since they were made on dates other than those agreed and partially, which means in accordance with the Bankruptcy Agreement an early expiration of the final loan automatically, Abemex had no knowledge of the receipt of any communication urging the payment of the final credit derived from the aforementioned delay and partial payment of the Second Term of Principal and First Term of Interest.

Likewise, the company, by means of a relevant event, published on September 21, 2018, informed the market that, due to its financial situation, the Company will not be able to meet the obligation assumed in the Bankruptcy Agreement, consisting of the payment to be made on September 25, 2018. The company also reported that, together with its financial and legal advisers, it was analyzing the financial situation in order to prepare a strategic plan that allows the long-term viability of the company.

› By the ruling dated November 14, 2018, Mexico's Auxiliary Unitary Circuit Court of the Seventh Region (Tribunal Unitario de Circuito Auxiliar de la Séptima Región) resolved to revoke the insolvency agreement approval ruling. By virtue of said decision, dated November 22, 2018, the Sixth Court of Civil Affairs in Mexico City resolved, among other things, to declare the Company to be in an insolvency status until such time as a new agreement approval decision, or whatever the Law requires, is issued.

› Abengoa México filed means of challenge against the aforementioned decisions and still remains in a negotiation process with its creditors for the purpose of reaching an agreement that guarantees its financial feasibility and the equitable treatment of its creditors.

f) <u>In relation to the Judicial Recovery process in Brazil on Abengoa Bioenergía Brasil, the following should be noted</u>:

› On September 8, 2017, Abengoa Bioenergía Brasil was informed by the Court of Santa Cruz das Palmeiras (Brazil) of a bankruptcy petition by a creditor of the company. On September 25, 2017, the company presented response and request of judicial rehabilitation which will allow the company restructuring and, therefore, negotiate with its creditors.

› On August 7, 2018 a first call for the meeting of creditors took place. Due to the lack of quorum, this meeting was suspended and held on second call on August 21, 2018, in which the creditors decided to keep open and postpone the vote on the potential recovery plan to be presented and still in the due diligence phase. At present, creditors have not yet voted to approve the pertinent recovery plan; in fact, creditors have always opted to keep the decision to approve the plan open and to postpone it on different occasions, as on October 4, 2018, November 8, 2018, December 12, 2018, February 12, 2019, March 13, 2019 and April 11, 2019. An agreement was reached at the creditors' meeting held on April 11, 2019 to postpone it again to May 9, 2019.

g) <u>Regarding the restructuring process carried out in Perú, Uruguay and Chile</u>:

› During the 2018 period, Abengoa Perú executed a new financial restructuring agreement and the corresponding payment took place on October 29, 2018.

› Teyma Uruguay; Teyma Forestal; Consorcio Ambiental del Plata; Operación y Mantenimiento Uruguay; and Etarey entered into an agreement with a pool for financial entities on August 24, 2017 and with Banco do Brasil New York branch on June 1, 2017, which refinanced 100% of their financial debt with said entities.

During the 2018 period, Teyma Sociedad de Inversión, S.A., Teyma Uruguay, S.A., Consorcio Ambiental del Plata, and Teyma Medioambiente, S.A. executed, as co-borrowers and jointly with Operación y Mantenimiento Uruguay, S.A., Etarey, S.A., y Teyma Forestal, S.A. as guarantors, a new financial restructuring agreement where the payment took place on December 17, 2018.

› On September 28, 2017 Abengoa Chile reached an agreement with a group of creditor banks (Banco de Crédito e Inversiones; Banco Consorcio; Itaú Corpbanca; Scotiabank Chile and Baco Security) and, on June 29, 2017 and September 1, 2017 with Banco Do Brasil New Tork branch and Banco do Brasil Chile for the totality of their financial debt with said entities, which allows Abengoa Chile to re-plan and extend their owed obligations.

h) <u>Regarding Construcciones Metálicas Mexicanas, S.A. de C.V.</u>

› The Company Construcciones Metálicas Mexicanas, S.A. of C.V. requested voluntary bankruptcy on February 8, 2018 before the Fifth District Court in civil matters of Mexico City. This request was admitted for processing on April 20, 2018, starting from that date the completion of the procedural phases prior to the declaration of bankruptcy and in accordance with the applicable legislation. Finally, on September 24, 2018, the Fifth District Court in civil matters of Mexico City notified the company of the declaration of insolvency contained in judgment dated on September 21, 2018.

- The provisional list of credits proposed by the conciliator was published in December 2018 and, on the basis thereof, the Judge published the final list of credits in January 2019.
- On June 12, 2017, by resolution of the plenary session of the Twelfth Collegiate Court of Mexico City, the award of one of the properties in which the plant is located has been confirmed, in favor of Banco Autofin, S.A. ("Autofin") derived and in relation to the commercial executive judgment filed by Autofin against Comemsa, before the Fifty-Seventh Civil Court of Mexico City, under file 145/2016.
- Within the bankruptcy proceedings, Autofin filed a motion to remove its assets that was admitted. The admission of said motion was challenged by Comemsa and said appeal is pending resolution.
- On the other hand, a Comemsa creditor filed a motion, admitted on February 6, 2019, to change the backdating date for the purpose of challenging the judgement whereby the property was allocated to Autofin. On February 15, 2019, an additional creditor adhered to this request requesting the Court to adopt the resolution concerning the change of the backdating date; said motion is pending resolution.

i) <u>Finally, an update of the Spanish bankruptcy proceedings is included:</u>

- Abengoa Research, S.L. (hereinafter, "AR") filed a request for voluntary bankruptcy on October 27, 2017. This request was admitted for processing on November 13, 2017 by the Commercial Court No. 2 of Seville, which issued an order declaring the voluntary bankruptcy. Likewise, Ernst & Young was appointed as a Bankruptcy Administration. The Company has been intervened by the Bankruptcy Administration but retains the faculties of administration and disposition of its assets with all its duties and responsibilities. By order of March 2, 2018, the judge agreed to open the liquidation phase requested by AR on February 26, 2018, leaving the powers of administration and disposition of AR over its assets and declaring AR dissolved, ceasing its Directors functions, which would be replaced by the Insolvency Administration. By order of May 17, 2018, the judge approved the Liquidation Plan for the assets and rights of AR.
- Abencor Suministros, S.A. filed an application for voluntary bankruptcy of creditors dated March 28, 2018. This request was admitted for processing and on April 27, 2018 the Commercial Court No. 2 of Seville issued an order stating the voluntary bankruptcy of the company agreeing the processing of the same by the channels of the ordinary procedure (number 312/2018). Likewise, Ernst & Young was appointed as a Bankruptcy Administration. The Company has been intervened by the Bankruptcy Administration but retains the faculties of administration and disposition of its assets with all its duties and responsibilities.
- Servicios Integrales de Mantenimiento y Operación, S.A. (hereinafter, "Simosa") filed a request for voluntary bankruptcy on April 14, 2018. This request was admitted for processing and on May 23, 2018 the Commercial Court No. 2 of Seville issued an order declaring the voluntary bankruptcy of the company agreeing the processing of the same through the channels of the ordinary procedure (number 388/2018). Likewise, Ernst & Young was appointed as a Bankruptcy Administration. The Company has been intervened by the Bankruptcy Administration, but it retains the faculties of administration and disposition of its assets with all its duties and responsibilities.
- Simosa IT, S.A. (hereinafter, "Simosa IT") was declared to be in an involuntary bankruptcy procedure through an order issued by Commercial Court no. 2 of Seville on November 12, 2018. The competent Court has resolved to process the insolvency procedure through ordinary procedure (court order no. 232/2018). Likewise, Ernst & Young was appointed as a Bankruptcy Administration. The administration of the Company has been intervened by the Bankruptcy Administration.
- Abengoa PW I Investments, S.L. (hereinafter, "APWI") filed a request for voluntary bankruptcy on December 21, 2018. This request was admitted for processing on February 18, 2019 by the Commercial Court No.2 of Seville, which issued an order declaring the voluntary bankruptcy of the company agreeing the processing of the same through the channels of the ordinary procedure (number 117/2019). Likewise, Ernst & Young was appointed as a Bankruptcy Administration. The Company has been intervened by the Bankruptcy Administration, but it retains the faculties of administration and disposition of its assets with all its duties and responsibilities.
- Abengoa Bioenergía Nuevas Tecnologías, S.A. (hereinafter, "ABNT") filed a request for voluntary bankruptcy on February 1, 2019. Said request was admitted and, on February 25, 2019, the Commercial Court no. 2 of Seville issued a Court Order declaring the Company to be in a voluntary insolvency proceeding and agreeing to process it through ordinary procedure (Court Order no. 122/2019). Likewise, Ernst & Young was appointed Insolvency Administrator. The Company has been intervened by the Insolvency Administrator but retains the authority to administer and dispose of its assets with all its obligations and responsibilities.

### 2.2.1.2. 2017 Restructuring process

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 17, 2017, the Restructuring Agent notified the occurrence of the Restructuring Effective Date. As continuation of which the Company announced a supplemental restructuring accession period, dated from January 18, 2017 to January 24, 2017. After finishing the Supplemental Accession Period, the final percentage of support of the Restructuring Agreement reached the 93.97%.

› In light of the situation in Mexico and in order to accelerate the completion of the Restructuring and begin implementing the Viability Plan as soon as possible, on February 14, 2017, the Company, 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 of the Restructuring Agreement, maintaining the initial structure of the transaction. Such Drawdown Proposal required certain amendments to the Term Sheet, the Restructuring Steps Plan, the Restructuring Agreement and the New Money Financing Commitment Letter, such amendments were required by the Company to all parties of the Restructuring Agreement in the same date.

› On February 28, 2017, the Company informed that it obtained the consent of the Majority Participating Creditors required under the Restructuring Agreement to approve the Amendments required to implement the Drawdown Proposal. Such approval allowed the Company to initiate the required steps to close the restructuring and permit the funding of the New Money.

› On March 17, 2017 and in accordance with Clauses 9.2.2 and 9.2.3 of the Restructuring Agreement, the Restructuring Documents and New Corporate Governance Documents were approved occurring therefore the Restructuring Document Approval Date, allowing the signing and the execution of the Restructuring Documents and New Corporate Governance Documents and the completion of the Restructuring process.

› On March 23, 2017, the Company announced that the Restructuring Documents and the New Corporate Governance Documents were signed although their effectiveness was subjected to the occurrence of the Restructuring Steps Commencement Date, which date was expected to occur once the Escrow Agent received the transaction funds.

› On March 28, 2017, the Escrow Agent confirmed that an amount equal to the New Money Financing Commitments was funded into the escrow account and, consequently, the Restructuring Agent confirmed that the Restructuring Steps Commencement Date occurred. The Company executed, on the same date, the share capital increases and the warrants approved by the Extraordinary General Shareholders' Meeting held on November 22, 2016, registering the deeds on March 28, 2017 in the Commercial Registry of Seville.

› Consequently, the Company issued one thousand five hundred and seventy seven million nine hundred forty three thousand eight hundred and twenty five (1,577,943,825) new class A shares and sixteen thousand three hundred and sixteen million three hundred sixty nine thousand five hundred and ten (16,316,369,510) new class B shares with a dilution for pre-existing shareholders of 95%. In relation with warrants, the Company issued eighty three million forty nine thousand six hundred and seventy five (83,049,675) class A warrants of the Company and eight hundred and fifty eight million seven hundred fifty six thousand two hundred and ninety (858,756,290) class B warrants of the Company, "Record date" on March 27, 2017.

› On March 30, 2017, and in connection with the Class A and Class B shares issued in the above mentioned share capital increase, after having made the relevant filings with the Madrid and Barcelona Stock Exchanges and the Spanish Securities Market Regulator ("CNMV"), the latter positively verified all requirements for the admission to trading in the Madrid and Barcelona Stock Exchanges of the shares, including the verification of the Prospectus, admitting to trading one thousand five hundred and seventy seven million nine hundred forty three thousand eight hundred and twenty five (1,577,943,825) new class A shares and sixteen thousand three hundred and sixteen million three hundred sixty nine thousand five hundred and ten (16,316,369,510) new class B shares with effects March 31, 2017.

  Additionally, in connection with the warrants, after having made the relevant filings with the Madrid and Barcelona Stock Exchanges and the Spanish Securities Market Regulator ("CNMV"), the latter positively verified all requirements for the admission to trading of the instruments in the Automated Quotation System Block Market of the Madrid and Barcelona Stock Exchanges (the "AQS"), in the "Warrants, Certificates and Other Products" segment, including the verification of the Prospectus, admitting to trading eighty three million forty nine thousand six hundred and seventy five (83,049,675) class A warrants of the Company and eight hundred and fifty eight million seven hundred fifty six thousand two hundred and ninety (858,756,290) class B warrants of the Company, with effects March 31, 2017. If the conditions for the exercise of the warrants are fulfilled, the Initial Exercise Date of the warrants will be March 31, 2025 and the Final Exercise Date of the warrants will be June 30, 2025.

The Prospectus is available in the Company's website and in the website of the CNMV. In particular, the Company informed that it contains important notices to the market.

› On March 31, 2017, the Restructuring Agent confirmed that the Restructuring Completion Date occurred on such date. Related to the above, the fundamental principles of the Restructuring Agreement closed on March 31, were the following:

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

- Tranche I (New Money 1): with two sub-tranches (1A y 1B) for a total amount of €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. Financing entities of this tranche received 30% of Abengoa's new share capital post restructuring.

- Tranche II (New Money 2): amounts to €194.5 million, with a maximum maturity of 48 months and secured by, among other things, certain assets in the engineering business. Financing entities of this tranche received 15% of Abengoa's new share capital post restructuring.

- Tranche III (New Money 3): 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. Financing entities of this tranche received 5% of Abengoa's new share capital post restructuring.

- New bonding facilities: amount to €307 million. Financing entities of this tranche received 5% of Abengoa's new share capital post restructuring.

The conditions of the New Money Financing are summarized in the following detail table:

| Item | Tranche I (NM 1A) | Tranche I (NM 1B) | Tranche II (NM 2) | Tranche III (NM 3) | New bonding facilities |
|---|---|---|---|---|---|
| Nominal (in M€) | 839 | 106 | 195 | 30 | 307 |
| Costs | 5% Cash + 9% PIK | | | 7% PIK | 5% |
| Maturity / Amortization | 47 months | | 48 months | | |
| Capital participation | 30% | | 15% | 5% | |

Several covenants obligations have been established into the financing conditions of New Money, including the liquidity ratio (historical and future) and that on December 31, 2017, has been fulfilled by the minimal established (€20 million) being the "Historic Liquidity" of €29 million and the "Projected Liquidity" of €20.3 million. In addition, a financial debt limit of €219 million has been established for Corporate Financing which, at December 31, 2017, the Company has met.

The financing of New Money counts with the joint and several guarantees of Abengoa, S.A. and of certain Group subsidiaries.

The restructuring for the pre-existing debt (Old Money) Standard Restructuring Terms involved a 97% reduction of its nominal value, while keeping the remaining 3% with a 10-year maturity, with no annual coupon or option for capitalization.

Creditors who have adhered to the agreement chose either the conditions laid out previously or alternative conditions (Alternative Restructuring Terms) which consist of the following:

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

- Refinance the 30% remaining of the nominal value of the pre-existing debt through new debt instruments (Old Money), replacing the pre-existing ones, which rank as senior or junior depending on whether or not such creditor participated in the new money facilities or new bonding facilities. Such instruments 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 can 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 pre-existing debt (after the 70% aforementioned capitalization) exceeds €2.7 billion.

The conditions of the pre-existing debt (Old Money) refinanced summarized in the following detail table:

| Item | (Standard Restructuring Terms) | (Alternative Restructuring Terms) Junior Old Money | Senior Old Money |
|---|---|---|---|
| % debt write offs | 97% | 70% | 70% |
| Post-debt write-offs nominal (in M€) | 12 | 1,220 | 1,409 |
| Costs | - | 1,5% | 1,5% |
| Maturity / Amortization | 10 years | 72 months | 66 months |
| Capital participation | - | 40% | |

Among the Old Money financing conditions, there has been certain obligations established in the financing contracts which include that, in the event that the total amount exceeds 2.7 billion as a consequence of the potential crystallization of contingent liabilities, a 6 month period shall be available to restructure, by means of capital increases or additional write-offs, the aforementioned credits before incurring into a cause for accelerated maturity. Throughout 2017 and 2018 up to the publication of the present Consolidated financial statements, the 2.7 billion limit for the Old Money has not yet been exceeded.

The financing of Old Money counts with the joint and several guarantees of Abengoa, S.A. and of certain Group subsidiaries

(ii) At the end of the restructuring process, the shareholders of the Company at the time, held 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 submitted 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.

› On April 28, 2017 the notes issued by Abengoa Abenewco 1, S.A.U. in connection with Tranche 2 of the new money financing as well as the notes issued by Abengoa Abenewco 2, S.A.U. in connection with the Senior Old Money and the Junior Old Money were admitted to trading on the Vienna Stock Exchange (Third Market (MTF) of Wiener Boerse).

› On June 12, 2017, the notes issued by ABG Orphan Holdco S.a.r.l. in connection with Tranche I of the new money financing were admitted to trading on the Irish Stock Exchange.

› Within the framework of the judicial approval procedure, certain creditors filed challenge claims over the judicial approval of the MRA issued by Seville Commercial Court n. 2 on November 8, 2016. These challenges were declared admissible by the aforementioned judged by order dated January 10, 2017. The hearings of the aforementioned challenges were held on last 13th and 24th of July 2017, the moment at which the trial was remitted for decision.

› On September 25, 2017, the Mercantile Court of Seville Nº 2 issued a ruling in regard to the challenges brought forth to the judicial approval (homologación judicial) of the restructuring agreement. On that basis:

1. The judge resolved against the challenges in relation to the lack of concurrence in the percentages required under the Insolvency Act, and as such agrees to maintain the judicial approval (homologación judicial) of the restructuring agreement and its effects except for the following.

2. The judge resolved in favor of the challenges in relation to the disproportioned sacrifice caused on the challengers cited in the decision. As stated in the decision, this last point implicates that effects of the restructuring agreement do not apply to these challengers.

The nominal value of the excluded debt which has been claimed by the challengers amounts to approximately €76 million.

The Company considered that the decision did not specify what treatment the excluded debt should receive. On this basis, it requested clarifications and, if applicable, the corresponding ruling supplement to the Court through the necessary channels.

› Regarding the preceding ruling dated October 30, 2017, the Company was notified on the ruling from the same Court by which they agreed to dismiss the request to supplement the ruling.

› This means that the entire debt claimed by the petitioners, this is, the amount of €76 million has been recorded as corporate financing of current liabilities, and also, that the debt amounts subject to said proceedings will not be affected by the restructuring process and will exceed the thresholds expected in the contracts which produce an event of default.

In relation to the foregoing and to provide for such scenario, the Company had already requested the corresponding exemptions established in the financial agreements, this is, the “waivers” under the different financial instruments. These waivers were already obtained on October 27, 2017 and hence, said event of default is considered as not occurring.

## 2.2.2. Going concern

Once concluded the Restructuring Agreement described in Note 2.2.1.2., the company has been developing the Revised Viability Plan August 2016 agreed 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 Revised Viability Plan August 2016 focused the activity in the energy and environmental industry, combined, in a balanced manner, with concessional infrastructure projects in sectors where Abengoa has developed a competitive advantage, mainly of technological kind, which allows a bigger added value projects. The mentioned Revised Viability Plan August 2016 projected a 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 in markets of high potential growing such as energy and water.

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

4) A more efficient organization with a competitive level of 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.

The situation of the Group during the last years, which has been affected by a strong limitation of financial resources for more than two years, has significantly influenced the evolution of the business not only in terms of a generalized 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 Revised Viability Plan August 2016.

Consequently, 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 presented a negative net equity. In the parent company Abengoa S.A., the expected measures in the effective application of the 2017 Restructuring Agreement have allowed to gain a financial stability at December 31, 2017 once there was a positive impact recognized in the income statement derived from debt write-offs and capital increases.

Abengoa, S.A., the parent company, has had a negative profit for the 2018 period that amounts to €431,546 thousand as a result, among other circumstances, of the significant impairment recorded with respect to its investments in Group companies, based on the estimate of its subsidiaries' fair value, and has presented, in addition, a positive equity for an amount of €99,162 thousand at the end of the 2018 period.

Nonetheless, after the financial restructuring process that concluded in March 2017 the activity has taken longer than expected to recover, in consequence, it has had a negative impact on the business as well as on the consolidate profit for the period, which has entailed a loss amounting to €1,487,669 thousand.

On the other hand, the negative working capital position of the Balance Sheet at December 31, 2018 for an amount of €4,359,562 thousand corresponds to the Group's situation previously discussed in the restructuring process framework.

Hence, to ensure the viability of the Group in the short and medium term, and for it to be able to continue with its activity in a competitive and sustainable manner in the future, the following becomes necessary:

› To have a stable platform that allows access to the capital markets to finance its working capital.

› To Access new lines of guarantees to ensure the growth of its Engineering and Construction business.

› Maintain an adequate financial structure for the business model that it will develop in the future.

In order to achieve these objectives, the Company has been working on additional actions, specifically a new 10-year viability plan, as well as a financial restructuring process.

In this respect, as reported in the relevant event dated September 30, 2018, Abengoa has signed with the main creditors of New Money 2 and New Bonding a term sheet, subject to the conditions that will be specified later, including the signing of definitive documentation, in order to establish the bases to the aforementioned financial restructuring, that includes, among other issues, the granting of new liquidity for a maximum amount of €97 million, and new lines of guarantees for amount of €140 million, to finance the group's liquidity needs and guarantees of the Group.

Furthermore, in order to optimize the financial structure of the Group and facilitate access to new financing in the future, the Company reached an agreement in December 2018 with a group of investors holding significant interest in the Old Money instruments to consent to an Old Money restructuring. The terms of said restructuring, have been equally offered to the challengers.

Abengoa executed, on December 31, 2018 a Lock Up agreement (the "lock-up agreement") with a group of financial entities and investors holding the majority of New Money 2, the syndicated guarantee facilities and Senior Old Money, as well as with the new liquidity bookrunners, by virtue of which said creditors have agreed the following, among other matters: (i) to stay certain rights and actions under such facilities vis-à vis the relevant Group companies until any of these events take place, whichever occurs first: the date when the Lock-Up Agreement ends pursuant to its own terms or the Expiration Date, which was originally set on January 31, 2019, and subsequently extended in successive occasions until April 26, 2019 (the "Long-Stop Date"), (ii) to take all actions to support, facilitate, implement, consummate or otherwise give effect to the financial restructuring proposal and, in particular, enter into negotiations with a view to agreeing and executing a restructuring agreement on or prior to the Long-Stop Date, and (iii) agree not to sell or otherwise transfer their debt until the Long-Stop Date or the date of termination of the Lock-up Agreement, except under certain circumstances.

Upon execution of the Lock-Up contract, the remaining New Money 2 creditors, Old Money bonding providers and creditors, as well as challengers, were requested to accede to the Lock-Up agreement pursuant to the procedures established and communicated in the Relevant Fact published in that regard on December 31, 2018.

The majority required for the Lock-Up Agreement to be in effect was reached on January 28, 2019.

On February 22, 2019, the Company requested consent from New Money 2, Senior Old Money and Junior Old Money bondholders to amend certain terms to the bond and to sign an agreement named "Amendment and Restructuring Implementation Deed" (the "Restructuring Contract"), pursuant to the provisions set forth in the two documents named "Amendment and Restructuring Consent Requests" concerning each of the issuances (the "Novation and Restructuring Consent Documents").

Subsequently, the Company announced, on February 27, 2019, that the General Shareholders' Meeting (hereinafter, the "GSM") had been called to be held presumably on March 28, 2019 on second call with the following agenda:

One.- Approval, within the framework of Abengoa Group's debt restructuring operation, of several issuances of Convertible Notes by certain Group companies other than Abengoa, S.A. pursuant to article 160(f) of the Spanish Capital Companies Law (LSC) and the provision and ratification of guarantees.

Two. - Approval of amendments to the remuneration policy applicable to the 2019-2020 periods.

Three.- Delegation of powers to the Board of Directors to interpret, correct, execute, cause to be recorded as documents of public record and register the resolutions adopted.

Said General Shareholders' Meeting was held on March 28, 2019 and all the aforementioned agreements were approved.

On March 11, 2019, the Company signed, along with some of the Group subsidiaries and a significant group of financial creditors participating in the existing financial debt, the Amendment and Restructuring Implementation Deed (the "Restructuring Agreement") for the purpose of amending the terms of the existing financing and of restructuring the Group's financial debt (the "Restructuring").

The main terms to the Restructuring include, among others:

(a) The injection of new money to the Group through the issuance, by the subsidiary A3T Luxco 2 S.A. ("A3T Luxco 2"), of convertible notes for a maximum nominal value of €97 million, which would entitle to convert into up to 99.99% the A3T Luxco 2 shares (the "A3T Issuance").

(b) Within the A3T Issuance framework and for the purposes of ensuring that it is fully repaid in the event that the amount obtained by the sale of the A3T Project does not allow to fully repay the amounts owed under the A3T Issuance (including the accumulated profitability up to the repayment date), non-repaid amounts will be assumed by the subsidiary company named Abengoa Abenewco 1, S.A.U. ("Abenewco 1") as debt ranking pari passu with the Refinanced NM2 Debt (as defined below). For said purposes, Abenewco 1 will grant a personal guarantee (prior to the notes' conversion) and a put option (put option agreement) (following the notes' conversion) over the A3T Project, exercisable until December 2023, to the original subscriber for the A3T Issuance.

(c) The provision of new liquidity to Abenewco 1 in the form of a new syndicated guarantee facility for a maximum amount of approximately €140 million, with the guarantee of certain Group companies and under similar terms as those of the existing guarantee facility (the "New Guarantee Facility").

(d) The amendment of certain terms and conditions of the existing guarantee facility in favor of Abenewco 1.

(e) The assumption, by A3T Luxco 2, of Abenewco 1's debt consisting of (i) an amount equivalent to 45% of the debt under the financing agreement and the issuance of New Money 2 creditors' bonds (together with the related documents, the "NM2 Financing Documents") and (ii) the total amounts owed under the liquidity facility obtained by the Group in November 2017 and extended in May 2018 (jointly, the "Transferred Debt") and the amendment of its financial conditions. The Transferred Debt will have the A3T Project as the only recourse.

(f) The amendment of certain terms and conditions of the remaining debt derived from the NM2 Financing Documents different from the Transferred Debt, corresponding to approximately 55% of said debt, which will remain in Abenewco 1 (the “Non-Rolled Over Debt”).

(g) The recognition by Abenewco 1 of new debt for an approximate maximum amount of €50.5 million to certain creditors of the Non-Rolled Over Debt and the New Guarantee Facility in consideration for their investment in the Restructuring Operation.

(h) The amendment of certain covenants of the agreement between Group creditors (Intercreditor Agreement) executed on March 28, 2017.

(i) One or several issuances, by Abenewco 1, of compulsorily convertible notes with a total nominal value of €5 million, which would entitle to convert into shares representing up to 22.5% of Abenewco 1’s share capital (the “Abenewco 1 Convertible Notes”) that will be issued to the original subscriber of the A3T Issuance, certain creditors under the Refinanced NM2 Debt, members of the NM2 Ad Hoc Committee and members of the Senior Old Money Ad Hoc Committee, by offsetting certain credit rights held by said creditors against Abenewco 1; as well as an agreement between shareholders to regulate the relationship between Abenewco 1 shareholders derived from the conversion of Abenewco 1 Convertible Notes.

(j) The implementation of a corporate restructuring whereby Abengoa Abenewco 2, S.A.U. (“Abenewco 2”) will contribute, through a non-monetary contribution, to Abengoa Abenewco 2 Bis, S.A.U. (“Abenewco 2 Bis”) (a Spanish company fully owned by Abenewco 2), all of Abenewco 1 shares owned by Abenewco 2, which represent 100% of Abenewco 1’s share capital. As a consequence of this contribution, the Company will become the sole shareholder of Abenewco 2, which will be the sole shareholder of Abenewco 2 Bis, which will in turn own all Abenewco 1 shares which are currently owned by Abenewco 2.

(k) The assumption by Abenewco 2 Bis of Abenewco 2 and other Group companies’ debt derived from the Senior Old Money and, if applicable, from the Challengers (as described below) including, for clarification purposes, the Senior Old Money and Challengers debt regarded as contingent debt for the purposes of materializing the issuance of SOM Convertible Notes (as defined below).

(l) One or several issuances of convertible notes by Abenewco 2 Bis with a total nominal value of €1,423 million plus the amount of (i) the contingent debt crystallized prior to the transaction closure, amounting to €160 million maximum; and (ii) an amount to be agreed upon corresponding to the challengers’ debt, with an initial duration of 5 years, guaranteed by the Company, Abenewco 2 and other Group companies (“SOM Convertible Notes”) that will be issued to the Senior Old Money creditors and by the creditors who successfully challenged the judicial approval of the Group’s debt approved in 2016 (the “Challengers”), by offsetting the credit rights that said creditors hold against the Group. The amortization (whether total or partial) of the SOM Convertible Notes’ principal will be made with the Group’s available cash that is above a certain threshold. At the moment that the SOM Convertible Notes are fully amortized, any outstanding amount which cannot be repaid in cash will be mandatorily converted into Abenewco 2 Bis shares representing up to a maximum of 100% its share capital, and thus the dilution practiced by the SOM Convertible Notes’ possible conversion into capital is expected to be very high. Likewise, in the event that a series of events take place, SOM Convertible Notes bondholders are expected to have the right, at the time of conversion, to require Abenewco 2 to sell their shares in Abenewco 2 Bis to said bondholders.

(m) One or several issuances of convertible notes by Abenewco 2 with a total nominal value equivalent to a portion of the amount owed under the current Junior Old Money instruments (plus the debt crystallized up to the transaction closure date) and an initial duration of 5 years and 6 months, which shall be compulsorily convertible into 49% of Abenewco 2 shares and guaranteed by the Company and other Group companies, that will be issued to creditors under the financing agreement and the issuance of Junior Old Money bonds by offsetting part of the credit rights that said creditors hold against the Group.

(n) An issuance by Abenewco 2 of convertible notes with a nominal value equivalent to the other portion of the amount owed under the current Junior Old Money instruments (plus the debt crystallized up to the transaction closure date) so that the JOM Issuances fully refinance the current Junior Old Money instruments, with an initial duration of 5 years and 6 months, guaranteed by the Company and other Group companies, that will be issued to the Junior Old Money creditors by offsetting part of the credit rights that said creditors hold against the Group. Payment, when due, will be made with the Group’s free cash flow available over a minimum amount, and everything that fails to be serviced with cash will be subject to an obligatory conversion to Abenewco 2 shares representing up to 100% its capital stock.

On the other hand, New Money 1 and 3 will maintain its current conditions unaltered, and it has been repaid in its entirety on the date of preparation of these Consolidated financial statements with the bridge financing on A3T entered into with a group of financial entities.

As a condition to the Restructuring, the majorities required of creditors shall consent and approve the modification and restructuring of their existing debt, pursuant to the terms established in the Restructuring Agreement.

To this end, and in the event that they give their approval, creditors (and bondholders through the tabulation agent) shall also adhere to the Restructuring Agreement through the Accession Deed ("Accession Deed").

Contingent upon obtaining the majorities required of the existing creditors, certain conditions established in the Restructuring Agreement shall have to be met prior to implementing the Restructuring process. Once the Restructuring process has been implemented, Abengoa will proceed to request its judicial approval pursuant to the provisions set forth in the Spanish Insolvency Law.

In March 2019, NM2, Senior Old Money and Junior Old Money bondholders held their meetings and approved, by majority of the votes, the proposals made (approval of the restructuring operation and adherence to the Restructuring Agreement).

The period to adhere to the Restructuring Agreement concluded on March 29, 2019. By said date, the number of financial creditors required to adhere to the agreement in order to implement the restructuring operation was reached.

On April 25, 2019, the Company informed that the Restructuring Effective Date occurred. Likewise, all the restructuring documents have been signed and the operation has concluded on April 26, 2019 with the issuance of new instruments with the following nominal values: Senior Old Money convertible notes amounting to €1,148 million and USD 562 million; Junior Old Money convertible notes for an amount of €859 million and USD 502 million; A3T convertible notes for an amount of €97 million; as well as Abenewco 1 convertible notes amounting to €5 million.

On the other hand, and as explained above, the Company has been working, within its current financial restructuring context, on a new 10-year viability plan that, together with the new financial restructuration outlined above, will allow it to lay the foundations to ensure its viability in the short and medium term.

In this respect, the Board of Directors approved, at their meetings of December 10, 2018 and later on January 21, 2019, the Company's aforesaid 10-year Viability Plan which was published through a Relevant Fact on January 24, 2019.

The main hypotheses in said Viability Plan include:

- Completion of the financial restructuring proposal in order to reestablish the liquidity and bonding position required by the Group, reducing the financial risk of the business.
- Reduction of the overhead up to a goal of 3% over sales as of 2020.
- A business plan based on EPC projects for third parties with a significant contribution derived from the strategic alliance with AAGEs.
- Improvement in the Group's competitive position and in the markets and geographical locations that are key for the business.
- Execution of the divestment plan with no significant deviations in terms of deadlines and amounts.
- Execution of the provider payment plan with no significant deviations from the estimated forecast.

Additionally, in the 2018 period, the Company requested an independent expert to perform an analysis of the fair value of Abengoa S.A.'s investment portfolio in its affiliated company Abenewco 2, S.A. at December 31, 2018, under certain critical hypotheses that have been defined below:

a) Compliance with the Group's 10-year Viability Plan, whose main hypotheses have been described above.

b) Consolidation of the business at standard levels as of 2029.

c) Post-restructuring financial debt forecasts and determination of its fair value.

d) Valuation of cash flows attributable directly to Abengoa, in accordance with the contracts signed by Abengoa, S.A. with its subsidiaries and the restructuring agreement

e) Completion of the financial restructuring process under the expected terms.

Should any of these hypotheses not materialize, the assessment results may be significantly affected.

The main method used to determine the business' fair value has been the discounted cash flow to equity method for a 10-year period, applying the average cost of the Company's own resources, which the Company has estimated to be in a range between 11% and 12%, as the discount rate. The long-term growth rate has been of 2%. The compounded annual growth rate and the EBITDA considered for the 2019-2028 period have been 13.5% and 6.7%, respectively.

To determine the fair value of the Senior Old Money and Junior Old Money instruments, the discounted flow method has been used pursuant to the issuance conditions included in the restructuring agreement and applying market discount rates based on a selection of comparable quoted bonds. The estimated discount rates for these financial instruments have resulted to be significantly higher than the current average rates of return and comparable to financial debt redemption operations conducted in the international market. The discount rates used for the Senior Old Money and the Junior Old Money range between 40-45% and 75-80% respectively, corresponding to discount rates that a participant in the financial market would consider in equivalent financial debt redemption operations.

As a result of the above, the parent company Abengoa S.A. has recognized a portfolio impairment loss of €275 million in its individual profit and loss account.

The corresponding sensitivity analysis of the critical variables used to determine the assessment of the fair value of Abengoa S.A, and that of its subsidiary Abenewco 2, S.A. has been performed:

› If the compounded annual growth rate decreased by 1% (12.5%), the impairment of the portfolio would increase by €121 million.

› If the EBITDA decreased by 1% (5.7%), the impairment of the portfolio would increase by €63 million approximately.

› If the long-term growth rate decreased by 1% (1%), the impairment of the portfolio would increase by €45 million.

› If the discount rate of the own resources' cost grows by 1%, hence being in a 12%-13% range, the impairment of the portfolio would increase by €90 million approximately.

› If the discount rates of the Senior Old Money and Junior Old Money instruments decreased by 5%, respectively, the impairment of the portfolio would increase by €71 million.

Based on the foregoing, Abengoa´s Directors have considered appropriated to prepare these Consolidated financial statements at December 31, 2018 on a going concern, considering the fundamental aspects of the new Viability Plan approved, which will be reinforced by the aforementioned Restructuring Agreement. Based on the application of the going concern basis, Abengoa´s Directors have applied the International Financial Reporting Standards ("IFRS") consistently with the Consolidated 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) in order to record the assets, liabilities, revenues and expenses as of December 31, 2018 in accordance with the existing information by the time of preparing these Consolidated financial statements.

### 2.2.3. Restructuring process accounting impacts

As indicated on Note 2.2.1.2, on March 31, 2017, the Restructuring of the Group was completed and therefore the Company recognized at that date all the accounting impacts related were announced. From an accounting perspective, the Restructuring Agreement is subject to IFRIC 19 "Cancellation of financial liabilities with equity instruments", derecognizing a portion of the debt to be cancelled at book value, recognizing the refinanced debt at fair value and registering the equity instrument to be handed over at fair value and recognizing the difference between such both amounts in the Income statement. The issued Equity instruments should be firstly recognized and valuated on the date in which the liability or a part of it is cancelled.

When valuating the handed over equity instruments, it was applied the IFRS 13 "Fair value measurement" and, consequently, market price was taken as reference in the Spanish Stock Exchanges on the date in which the Restructuring process was completed and the liability was written off, this means on March 31, 2017. This market price was €0.055 per each class A share, and €0.024 each class B share. Applying such amount to the capital Increase of Abengoa (1,577,943,825 class A shares and 16,316,369,510 class B shares, which correspond to 95% of Capital share), the shares fair value accounted in the Consolidated Equity was €478 million.

With the portion of debt to be refinanced, and considering the conditions of the debt to be refinanced had been substantially modified after the Restructuring agreement, IAS 39 "Financial instruments, recognition and measurement" was applied, derecognizing the portion of the debt to be refinanced at book value, registering the equity instrument to be handed over at fair value and recognizing 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 was no obligation to deliver equity instruments in order to cancel 97% of the liabilities, the terms of IAS 39 were applied 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 was recorded at its fair value and recognizing an impact on the Income Statement by the difference between both amounts.

All the mentioned caused a positive impact in the consolidated Net Equity of Abengoa of €6,208 million (€5,730 million in the income statement, €35 million in share capital, and €443 million in share premium). The following table shows the breakdown of such impacts (in millions of euros):

| Concept | Amount |
|---|---|
| Decrease of debt to be refinanced at its carrying amount | 8,330 |
| Increase of refinanced debt at its fair value | (1,943) |
| Increase of equity instruments | 478 |
| Related expenses (commissions, fees, etc.) | (138) |
| Tax impact | (519) |
| Total impacts in Net Consolidated Equity | 6,208 |

On the other hand, and as Note 2.2.2. states, the Company has been working on additional actions to ensure the viability of the Group in the short and medium term, which include a new financial restructuring process.

One of the milestones of said restructuring process was the execution of a "Lock-Up Agreement" dated December 31, 2018 with several financial creditors, as the aforementioned Note 2.2.2. states, as well as the initiation of an accession period to said agreement as a step prior to the signature of the restructuring agreement ("Restructuring Agreement"). The majority required for the Lock-Up Agreement to be in effect was reached on January 28, 2019.

As set forth in said Lock-Up Agreement's clauses, the execution of said document, as it entails the commencement of a negotiation process with a substantial part of its creditors to restructure its obligations therewith, constitutes the non-compliance ("Event of Default") of the New Money 2, syndicated guarantee and Old Money (Senior Old Money and Junior Old Money) facilities.

Nonetheless creditors, by acceding to the Lock-Up Agreement, agree on one hand to stay certain rights and actions under such facilities vis-à vis the different Group companies, which include exercise of enforcement actions and, on the other hand, to overlook the noncompliance derived from the signature of the Lock-Up Agreement until any of these events take place, whichever occurs first: the date when the Lock-Up Agreement ends pursuant to its own terms or the Expiration Date, which was originally set on January 31, 2019 and subsequently extended in successive occasions until April 26, 2019 (the "Long-Stop Date").

As a consequence of the above, and since the Company facilities which are subject of the Lock-Up Agreement (New Money 2, Guarantee Facility and Old Money) were in a transitional status of technical non-compliance at the balance end date which resulted from the execution itself of said Lock-Up Agreement, and since the consent to said non-compliance situation agreed-upon by financial creditors in the Agreement itself was established for up to the "Long Stop Date", this is, up to January 31, 2019, and subsequently extended in successive occasions until April 26, 2019, Abengoa has applied the provisions set forth in IAS 1 "Presentation of Financial Statements" and has proceeded to reclassify the Old Money debt from non-current liabilities to current liabilities of the Statement of Financial Position. As for New Money 2 financing, it has not entailed any reclassification as it was already entered under current liabilities at December 31, 2017.

As mentioned above, the Group's creditors agreed, by signing the Lock-Up Agreement, to temporarily stay the exercise of certain rights and actions under such facilities vis-à vis the different Group companies. Nonetheless, since said stay will not meet the minimum period of twelve months after the reporting period, as required in IAS 1, paragraphs 69 et seq., said classification has been deemed convenient.

Additionally, and since both debts (Old Money and New Money 2) were measured at amortized cost using the effective interest rate, said value has been adjusted to reflect its corresponding settlement value.

Said adjustment has entailed a negative impact on the Consolidated Income Statement for an amount of €1,060 million recognized under "Other finance costs – Finance expenses due to restructuring" (see Note 30.3), counterbalanced by "Corporate Financing" of current liabilities of the Consolidated Statement of Financial Position at the end of the 2018 period.

In addition, the tax impact associated to said recognition has entailed the recognition of income amounting to €265 million in the Group's corporate income tax, counterbalanced by a reversal of deferred tax liabilities of the Consolidated Statement of Financial Position at the end of the 2018 period (see Note 24.2).

It is important to highlight that the above negative impact that has occurred in the Consolidated Income Statement and, in consequence, in Abengoa's consolidated shareholders' equity, stems from applying the provisions set forth in the above-explained accounting regulations as concerns the classification and measurement of financial debt for those cases in which the company is in a non-compliance situation at the balance end date and has failed to obtain authorization by its creditors to refrain from early settlement actions for a minimum period of 12 months after the Financial Statement end date.

As Note 2.2.2. indicates, the Restructuring Effective Date occurred on April 25, 2019; thus, the Company estimates that said debt will be recorded under Non-Current Liabilities of the Consolidated Statement of Financial Position.

Consequently, this negative impact at the end of the 2018 period does not reflect Abengoa's future financial status which, at the Directors' discretion, and upon conclusion of the Restructuring Process, will be contingent upon the compliance of the new 10-year Viability Plan approved by the Board of Directors at their meetings of December 10, 2018 and January 21, 2019, and associated to the Group's ability to generate resources from its operations and to obtain sufficient liquidity as required by the recovery of the market to continue with its activity in a competitive and sustainable manner.

## 2.3. Application of new accounting standards

a) Standards, amendments and interpretations yet entered into force, from the year beginning on January 1, 2018:

The following standards, whose application is mandatory, have been adopted by the Group:

› IIFRS 9 "Financial Instruments". This Standard is effective from January 1, 2018 under IFRS-EU.

› IFRS 15 "Ordinary revenues proceeding from contracts with Customers". IFRS 15 is applicable for years beginning on or after January 1, 2018 under IFRS-EU 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.

In this sense, in relation of the impacts that could have the changes introduced in those Standards, indicate the following:

› IFRS 9 "Financial Instruments" has been fully applied as of January 1, 2018, without restating the comparative information related to the 2017 year, based on the regulatory exemption. The main identified aspects that entail an impact in the Group's Consolidated financial statements have been summarized below:

- Hedge accounting; the Standard aims to align hedge accounting with the Group's risk management establishing new requirements with a principle-based approach. Notwithstanding the above, even if no significant hedging derivatives exist to this date, the changes in this respect would not differ from those applied by the Group.

- Impairment of financial assets; the Standard replaces a model of losses incurred in IAS 39 with an expected loss for the next 12 months or for the life of the instruments in the light of the significant increase in risk.

- Classification and valuation of financial assets; the Standard establishes a new classification to reflect the business model where the main classification categories are: a) assets at amortized cost (assets to maturity to receive the contractual flows: principal and interest), b) assets at fair value against results (assets to trade) and c) assets at fair value against Equity (when both previous business models are met). Therefore, the categories of instruments held for sale are eliminated from IAS 39 (see Note 2.11).

The Group developed an "expected loss" model, conducting an assessment and estimation of the provision for impairment required due to the application of this new simplified "expected loss" model on the financial assets, recognizing as a first-time application adjustment on the transition date a provision of €8 million directly in the Consolidated Equity (see Note 18.5). No other impact arose in relation to the application of the new Standard.

› IFRS 15 "Revenue from contracts with customers", replaces, from the period beginning on January 1, 2018, the following Standards in force until December 31, 2017, and has been applied as of the transition date without restating the comparative information related to 2017 on the basis of the regulatory exemption:

- IAS 18 "Income from ordinary activities"

- IAS 11 "Construction contracts"

- IFRIC 13 "Customer loyalty programmes"

- IFRIC 15 "Agreements for the construction of real estate"

- IFRIC 18 "Transfers of assets from customers"
- SIC-31 "Revenue- Barter transactions involving advertising services"

According to IFRS 15, revenue should be recognized in such a way that the transfer of goods or services to customers is disclosed at an amount that reflects the consideration to which the entity expects to be entitled in exchange for such goods or services. This approach is based on five steps:

- Step 1: Identify the contract or contracts with a customer.
- Step 2: Identify the obligations under contract.
- Step 3: Determine the Price of transaction.
- Step 4: Allocate the Price of transaction among the contract obligations.
- Step 5: Recognize revenues when (or as) the entity complies with each of the obligations.

› IFRS 15 (Modification): Clarifications to IFRS 15 "Incomes from contracts with customers".

The main changes identified that led to an analysis and a review of the possible impacts on the Consolidated financial statements of the Group are summarized below:

(i) Identification of the different performance obligations in long-term contracts and assignment of price to each obligation; the Standard could mainly affect the long-term contracts of the Engineering and Construction activities related to the execution of turnkey projects where the performance is now recognized based on a single performance obligation and, under the new rule, the result could be recognized based on the different performance obligations that can be identified with the consequent effect that this new criterion could imply by the difference in the recognition of income, as long as the margin of those obligations already performed is different from the one currently performed performance obligation.

(ii) Approval in the recognition of income for modifications of the contract and items subject to claim; the Standard establishes explicit approval by the client, rather than the probability of approval requirement of the current Standard, and could lead to differences in revenue recognition that can only be recorded when the customer approves and not when it is probable that the client to accept the change. In addition, and in the case of modifications or claims in which the client has approved the scope of the work, but their valuation is pending, the income will be recognized for the amount that is highly probable that does not produce a significant reversal in the future.

(iii) Identification and recognition of the costs of obtaining a contract (IFRS 15 p.91) and costs of compliance with a contract (IFRS 15, p.95); The Standard establishes that only those costs identified as incremental can be capitalized, being necessary a detailed analysis of the expectations of recovery of the same.

(iv) Contract combination (IFRS 15 p.17): the Standard states that will be combined two or more contracts made at a close point in time with the same client, and that will be accounted as a single contract provided certain criteria are met (interdependence of the Price, joint negotiation or existence of a single compliance obligation).

An assessment was carried out under the estimation that the expected impact of the application of this Standard in the Group's consolidated annual accounts does not mean that revenue recognition significantly differs from the one applied at present, and hence, no relevant equity impact had been registered as first-time application adjustment on the Consolidated financial statements.

› Yearly improvements to IFRS Cycle 2014 - 2016 (published December 8, 2016).

› IFRS 2 (Amendment) "Classification and valuation of share-based payment transactions"

› IAS 40 (Modification) "Transfer of investment property"

› IFRIC 22 Transactions and advances in foreign currency establishing the "transaction date" to purposes of determining the exchange rate applicable in transactions with foreign currency.

The application of the mentioned improvements, modifications and interpretations have not represented a significant impact in the Consolidated financial statements.

b) Standards, amendments and interpretations applied to existing standards that have not entered into force for the European Union but can be adopted with advance notice at the date of formulation of these Consolidated statements:

- Introduction of IFRS 16 "Leases" that replaces IAS 17. Tenants will include all leases in the balance sheet as if they were financed purchases. This amendment will be applicable for annual periods beginning on or after January 1, 2019, although it has been approved for use in the European Union, and will be prospectively applied, pursuant to paragraph C5,b of such Standard; consequently, the comparative information will not be restructured thereby. Likewise, the Group will opt for the right-of-use asset measurement model, applying the regulatory change to the agreements with a term exceeding 12 months and whose underlying asset is not of low value.

- Amendment of IFRS 9 "Prepayment features with negative compensation". The amendment to the IFRS 9 clarifies that a party may pay or receive reasonable compensation for the early termination of the contract, which may allow these instruments to be measured at amortized cost or at fair value through other comprehensive income. This amendment will be effective for annual periods beginning January 1, 2019, with earlier application permitted.

- IFRIC 23, "Uncertainty over Income Tax Treatments": The interpretation provides requirements that add to the requirements in IAS 12 "Income Taxes", by specifying how to reflect the effects of uncertainty in accounting for income taxes. This interpretation clarifies how the recognition and measurement requirements of IAS 12 are applied where there is uncertainty over income tax treatments. This interpretation will be effective for annual years beginning January 1, 2019, with earlier application permitted.

- IAS 28 (Amendment) "Long-term interests in associates and joint ventures"

- Yearly improvements to IFRS Cycle 2015-2017. Amendments that affect to IFRS 3, IFRS 11, IAS 12 and IAS 23-

- IAS 19 (Amendment)- "Modification, reduction or liquidation of the plan".

The Group is analyzing the impacts that the new regulations may have. However, it is estimated that there will be no significant impact for the Consolidated financial statements.

c) Standards, amendments and interpretations applied to existing standards that have not been adopted to date by the European Union at the date of publication of the present Consolidated financial statements:

- IFRS 10 (Amendment) "Consolidated Financial statements" and IAS 28 (Amendment) "Investments in Associates and Joint Ventures" in relation to the treatment of the sale or contribution of goods between an investor and its associate or joint venture. The application of these modifications has been delayed without a defined date of application.

  Amendment to IFRS 3 "Definition of a Business": These amendments will help to determine whether an entity has acquired a business or a group of assets and will be applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting year beginning on January 1, 2020, and to asset acquisitions that occur on or after the beginning of that year. Earlier application is permitted.

- Amendment to IAS 1 and IAS 8 "Definition of Material": These amendments clarify the definition of "material". They shall apply to annual periods beginning January 1, 2020, with earlier application permitted.

The Group is currently analyzing the impact that these new regulations may have, although they are not expected to entail significant impact on the Group's Consolidated financial statements.

## 2.4. Principles of consolidation

In order to provide information on a consistent basis, the same principles and Standards applied to the Parent Company have been applied to all other consolidated entities.

All subsidiaries, associates and joint ventures/temporary joint operations (UTE) included in the Consolidated Group for the year 2018 (2017) that form the basis of these consolidation perimeter are set out in Appendices I (XII), II (XIII) and III (XIV), respectively.

Note 6 to these Consolidated financial statements reflects the information on the changes in the composition of the Group.

## a) Subsidiaries

Subsidiaries are those entities over which Abengoa has control.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company will reassess whether or not it controls an investee when facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

The value of non-controlling interest in equity and the consolidated results are shown, respectively, under non-controlling interests' in the Consolidated Statements of Financial Position and "Profit attributable to non-controlling interests" in the Consolidated income statements.

Profit for the period and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this result of the non-controlling interests has a total negative balance.

When necessary, adjustments are made to the Financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are fully eliminated on consolidation.

The Group uses the acquisition method to account for business combinations. According to this method, the remuneration transferred for the acquisition of a subsidiary corresponds to the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group and includes the fair value of any asset or liability resulting from a contingent remuneration agreement. Any transferred contingent remuneration is recognized at fair value at the acquisition date and subsequent changes in its fair value are recognized as an asset or liability in accordance with IFRS 9 (previously IAS 39) either in the Income Statement or in the Statement of Comprehensive Income. Acquisition related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree either at the non-controlling interest's proportionate share of the acquirer's net assets on an acquisition basis.

To account the sale or loss of control of subsidiaries, the Group derecognizes the assets, liabilities and all non-controlling interests of the subsidiary at the date of loss of control by their carrying amounts. The fair value of the payment received is also recognized, if any, from the transaction, events or circumstances giving rise to the loss of control, including if any the distribution of shares of the subsidiary to owners as well as the retained investment in the former subsidiary at fair value on the date of loss of control. Amounts recognized in other comprehensive income in relation to the subsidiary are transferred to profit and loss and the difference is recognized as a profit or loss attributable to the parent. The loss of control of a subsidiary may occur in two or more agreements (transactions). In some cases, circumstances that justify that the multiple agreements should be accounted as a single transaction may exist.

In compliance with Article 155 of Spanish Corporate Law (Ley de Sociedades de Capital), the Parent Company has notified all these companies that, either by itself or through another subsidiary, it owns more than 10% shares of their capital. Appendix VIII lists the Companies external to the Group which have a share equal to or greater than 10% of a subsidiary of the parent company under the consolidation scope.

The most significant restrictions on subsidiaries refer to the ones imposed on companies with project financing, the guarantees and restrictions of which are explained in notes 2.7. and 19.

## b) Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture, different from a joint operation described in section c) below, is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and the assets and liabilities of associates or joint ventures are incorporated in these Consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognized in the Consolidated Statement of Financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or implicit obligations or payments made on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted using the equity method since the date on which the investee becomes an associate or a joint venture.

Profits and losses resulting from the transactions of the Company with the associate or joint venture are recognized in the Group's Consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

In compliance with Article 155 of Spanish Corporate Law (Ley de Sociedades de Capital), the parent company has notified to all these companies that, either by itself or through another subsidiary, it owns more than 10% shares of their capital.

As of December 31, 2018, and 2017, in the Director´s opinion there are no significant contingent liabilities in the Group's interests in associates and joint ventures, in addition to those described in Note 22.2.

## c) Interest in joint operations and temporary joint operations (UTE)

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group, as a joint operator, recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

When a Group's entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

"Unión Temporal de Empresas" (UTE) are temporary joint operations generally formed to execute specific commercial and/or industrial projects in a wide variety of areas and particularly in the fields of engineering and construction and infrastructure projects. They are normally used to combine the characteristics and qualifications of the UTE partners into a single proposal in order to obtain the most favorable technical assessment possible. UTE are normally limited as standalone entities with limited action, since, although they may enter into commitments in their own name, such commitments are generally undertaken by their partners, in proportion to each investor's share in the UTE.

The partners' shares in the UTE normally depend on their contributions (quantitative or qualitative) to the project, are limited to their own tasks and are intended solely to generate their own specific results. Each partner is responsible for executing its own tasks and does so in its own interests.

The fact that one of the partners acts as project manager does not affect its position or share in the UTE. The UTE's partners are collectively responsible for technical issues, although there are strict pari passu clauses that assign the specific consequences of each investor's correct or incorrect actions.

They normally do not have assets and liabilities on a stand-alone basis. Their activity is conducted for a specific period of time that is normally limited to the execution of the project. The UTE may own certain fixed assets used in carrying out its activity, although in this case they are generally acquired and used jointly by all the UTE's investors, for a period similar to the project's duration, or prior agreements are signed by the partners on the assignment or disposal of the UTE's assets upon completion of the project.

UTE in which the Company participates are operated through a management committee comprised of equal representation from each of the temporary joint operation partners, and such committee makes all the decisions about the temporary joint operation's activities that have a significant effect on its success. All the decisions require consent of each of the parties sharing power, so that all the parties together have the power to direct the activities of the UTE. Each partner has rights to the assets and obligations relating to the arrangement. As a result, these temporary joint operations are consolidated proportionally.

The proportional part of the UTE's Consolidated Statement of Financial Position and Consolidated Income Statement is integrated into the Consolidated Statement of Financial Position and the Consolidated Income Statement of the Company in proportion to its interest in the UTE on a line by line basis, as well as cash flows in the Consolidated cash flow statement.

As of December 31, 2018, and 2017 there are no significant material contingent liabilities in relation to the Group's shareholdings in the UTEs, additional to those described in Note 22.2.

### d) Transactions with non-controlling interests

Transactions with non-controlling interests are accounted for as transactions with equity owners of the group. When the Group acquires non-controlling interests, the difference between any consideration paid and the carrying value of the proportionate share of net assets acquired is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, and any difference between fair value and its carrying amount is recognized in profit or loss. In addition, any amount previously recognized in other comprehensive income in respect of that entity is accounted for as if the group had directly disposed of the related assets or liabilities.

Companies and entities which are third parties the Group and which hold a share equal to or larger than 10% in the share capital of any company included in the consolidation group are disclosed in Appendix VIII.

## 2.5. Intangible assets

### a) Goodwill

Goodwill is recognized as the excess between (A) and (B), where (A) is the sum of the considerations transferred, the amount of any non-controlling interest in the acquiree and in the case of a business combination achieved in stages, the fair value on the acquisition date of the previously held interest in the acquiree and (B) the net value, at the acquisition date, of the identifiable assets acquired, the liabilities and contingent liabilities assumed, measured at fair value. If the resulting amount is negative, in the case of a bargain purchase, the difference is recognized as income directly in the Consolidated Income Statement.

Goodwill relating to the acquisition of subsidiaries is included in intangible assets, while goodwill relating to associates is included in investments in associates.

Goodwill is carried at initial value less accumulated impairment losses (see Note 2.10). Goodwill is allocated to Cash Generating Units (CGU) for the purposes of impairment testing, these CGU's being the units which are expected to benefit from the business combination that generated the goodwill.

### b) Computer programs

Costs paid for licenses for computer programs are capitalized, including preparation and installation costs directly associated with the software. Such costs are amortized over their estimated useful life. Maintenance costs are expensed in the period in which they are incurred.

Costs directly related with the production of identifiable computer programs are recognized as intangible assets when they are likely to generate future economic benefit for a period of one or more years and they fulfill the following conditions:

- it is technically possible to complete the production of the intangible asset;
- the Directors intend to complete the intangible asset;
- the Company is able to use or sell the intangible asset
- there are technical, financial and other resources available to complete the development of the intangible asset; and
- disbursements attributed to the intangible asset during its development may be reliably measured.

Licenses for computer programs and costs directly related to the production of them are recognized as intangible assets are amortized over their estimated useful lives which do not exceed 10 years.

Costs that do not meet the criteria above are recognized as expenses in the Consolidated Income Statement when incurred.

### c) Research and development cost

Research costs are recognized as an expense when they are incurred.

Development costs (relating to the design and testing of new and improved products) are recognized as an intangible asset when all the following criteria are met:

- it is probable that the project will be successful, taking into account its technical and commercial feasibility, so that the project will be available for its use or sale;
- it is probable that the project generates future economic benefits;
- management intends to complete the project;
- the Company is able to use or sell the intangible asset;
- there are appropriate technical, financial or other resources available to complete the development and to use or sell the intangible asset; and
- the costs of the project/product can be measured reliably.

Once the product is in the market, capitalized costs are amortized on a straight-line basis over the period for which the product is expected to generate economic benefits, which is normally 5 years.

Development costs that do not meet the criteria above are recognized as expenses in the Consolidated Income Statement when incurred.

Grants or subsidized loans obtained to finance research and development projects are recognized as income in the Consolidated Income Statement consistently with the expenses they are financing, following the rules described above.

## 2.6. Property, plant and equipment

Property, plant and equipment includes property, plant and equipment of companies or project companies which have been self-financed or financed through external financing with recourse facilities or through non-recourse project financing.

In general, property, plant and equipment is measured at historical cost, including all expenses directly attributable to the acquisition, less depreciation and impairment losses, with the exception of land, which is presented net of any impairment losses.

Subsequent costs are capitalized when it is probable that future economic benefits associated with that asset can be separately and reliably identified.

Work carried out by a company on its own property, plant and equipment is valued at production cost. In construction projects of the Company's owned assets carried out by its Engineering and Construction segment which are not under the scope of IFRIC 12 on Service Concession Arrangements (see Note 2.7), internal margins are eliminated. The corresponding costs are recognized in the individual expense line item in the accompanying Income statements. The recognition of an income for the sum of such costs through the line item "Other income- Work performed by the entity and capitalized and other" results in these costs having no impact in net operating profit. The corresponding assets are capitalized and included in property, plant and equipment in the accompanying balance sheets.

All other repair and maintenance costs are charged to the Consolidated Income Statement in the period in which they are incurred.

Costs incurred during the construction period may also include gains or losses from foreign-currency cash-flow hedging instruments for the acquisition of property, plant and equipment in foreign currency, transferred from equity.

With regard to investments in property, plant and equipment located on land belonging to third parties, an initial estimate of the costs of dismantling the asset and restoring the site to its original condition is also included in the carrying amount of the asset. Such costs are recorded at their net present value in accordance with IAS 37.

The annual depreciation rates of property, plant and equipment (including property, plant and equipment in projects) are as follows:

| Items | % of depreciation |
|---|---|
| Lands and buildings | |
| Buildings | 2% - 3% |
| Technical installations and machinery | |
| Installations | 3% - 4% - 12% - 20% |
| Machinery | 12% |
| Other fixed assets | |
| Data processing equipment | 25% |
| Tools and equipment | 15% - 30% |
| Furniture | 10% - 15% |
| Works equipment | 30% |
| Transport elements | 8% - 20% |

The assets' residual values and useful economic lives are reviewed, and adjusted if necessary, at the end of the accounting period of the company which owns the asset.

When the carrying amount of an asset is higher than its recoverable amount, the carrying amount is reduced immediately to reflect the lower recoverable amount.

## 2.7. Fixed assets in projects

This category includes property, plant and equipment, intangible assets and financial assets of consolidated companies which are financed through project debt (see Note 19), that are raised specifically and solely to finance individual projects as detailed in the terms of the loan agreement.

These assets financed through project debt are generally the result of projects which consist of the design, construction, financing, application and maintenance of large-scale complex operational assets or infrastructures, which are owned by the company or are held under a concession agreement for a period of time. The projects are initially financed through medium-term bridge loans (non-recourse project financing in process), generally from 2 to 3 years and later by a long-term project (non-recourse finance).

In this respect, the basis of the financing agreement between the Company and the bank lies in the allocation of the cash flows generated by the project to the repayment of the principal amount and interest expenses, excluding or limiting the amount secured by other assets, in such a way that the bank recovers the investment solely through the cash flows generated by the project financed, any other debt being subordinated to the debt arising from the non-recourse financing applied to projects until the project debt has been fully repaid. For this reason, fixed assets in projects are separately reported on the face of the Consolidated Statement of Financial Position, as is the related project debt (project finance and bridge loan) in the liability section of the same statement.

Non-recourse project financing (project finance) typically includes the following guarantees:

› Shares of the project developers are pledged.

› Assignment of collection rights.

› Limitations on the availability of assets relating to the project.

› Compliance with debt coverage ratios.

› Subordination of the payment of interest and dividends to meet loan financial ratios.

Once the project finance has been repaid and the project debt and related guarantees have fully extinguished, any remaining net book value reported under this category is reclassified to the Property, Plant and Equipment or Intangible Assets line items, as applicable, in the Consolidated Statement of Financial Position.

Assets in the "fixed assets in projects" line item of the Consolidated Statement of Financial Position are sub-classified under the following two headings, depending upon their nature and their accounting treatment:

### 2.7.1. Concession assets in projects

This heading includes fixed assets financed through project debt related to Service Concession Arrangements recorded in accordance with IFRIC 12. IFRIC 12 states that service concession arrangements are public-to-private arrangements in which the public sector controls or regulates the services to be provided using the infrastructure and their prices, and is contractually guaranteed to gain, at a future time, ownership of the infrastructure through which the service is provided. The infrastructures accounted for by the Group as concessions are mainly related to the activities concerning desalination plants and generation plants (both renewable as conventional). The infrastructure used in a concession can be classified as an intangible asset or a financial asset, depending on the nature of the payment entitlements established in the agreement.

Nonetheless, due to the Group's current divestment plan, the majority of its concession assets (transmission lines, water desalination plants and power stations) are classified as Assets Held for Sale (see Note 7).

#### a) Intangible asset

The Group recognizes an intangible asset when the demand risk is assumed by the operator to the extent that it has a right to charge final customers for the use of the infrastructure. This intangible asset is subject to the provisions of IAS 38 and is amortized linearly, taking into account the estimated period of commercial operation of infrastructure which generally coincides with the concession period.

Additionally, as Note 2.25 b) explains, the Group recognizes and measures revenue, costs and margin for providing construction services during the period of construction of the infrastructure in accordance with IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018, and in accordance with IAS 11 up to that date. As indicated in Note 2.9, the interest costs derived from financing the project incurred during construction are capitalized during the period of time required to complete and prepare the asset for its predetermined used.

Once the infrastructure is in operation, the treatment of income and expenses is as follows:

› Revenues from the updated annual royalty for the concession, as well as operations and maintenance services are recognized in each period according to IFRS 15.

› Operating and maintenance costs and general overheads and administrative costs are charged to the Consolidated Income Statement in accordance with the nature of the cost incurred (amount due) in each period.

› Financing costs are classified within heading finance expenses in the Consolidated Income Statement.

#### b) Financial assets

The Group recognizes a financial asset when the risk of demand is assumed by the grantor to the extent that the concession holder has an unconditional right to receive payments for construction or improvement services. This asset is recognized at the fair value of the construction or improvement services provided.

The Group recognizes and measures revenue, costs and margin for providing construction services during the period of construction of the infrastructure in accordance with IFRS 15.

The financial asset is subsequently recorded at amortized cost method calculated according to the effective interest method, the corresponding income from updating the flows of collections is recognized as revenue in the Consolidated Income Statement according to the effective interest rate.

The finance expenses of financing these assets are classified under the financial expenses heading of the Consolidated Income Statement.

As indicated above for intangible assets, income from operations and maintenance services is recognized in each period according to IFRS 15.

### 2.7.2. Other assets in projects

This heading includes tangible fixed and intangible assets which are financed through a project debt and are not subject to a concession agreement. Their accounting treatment is described in Notes 2.5 and 2.6.

## 2.8. Current and non-current classification

Assets are classified as current assets if they are expected to be realized in less than 12 months after the date of the Consolidated Statements of Financial Position. Otherwise, they are classified as non-current assets.

Liabilities are classified as current liabilities unless an unconditional right exists to defer their repayment by at least 12 months following the date of the Consolidated Statement of Financial Position.

## 2.9. Borrowing costs

Interest costs incurred in the construction of any qualifying asset are capitalized over the period required to complete and prepare the asset for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its internal use or sale, which in Abengoa is considered to be more than one year.

Borrowing costs (ordinary interest on principal, late interest, etc.) are expensed in the period in which they are incurred.

## 2.10. Impairment of non-financial assets

As of December 31, 2018, the majority of non-financial assets are classified as Assets Held for Sale as a consequence of the divestment process that the Group has been conducting these recent years, as Note 2.2.2. describes (see Note 7 for further information on the criteria used to measure the fair value and subsequently quantify the impairment of those assets).

Regardless of the above, the details of the main accounting standards used to analyze the impairment of other non-financial assets not classified as held for sale are given below.

Abengoa reviews its property, plant and equipment, fixed assets in projects and intangible assets with finite and indefinite useful life to identify any indicators of impairment. This review is made annually or in less time, in the event of an indication of impairment detected.

If indications of impairment exit, Abengoa calculates the recoverable amount of the asset as the higher of its fair value less costs to sell and its value in use, defined as the present value of the estimated future cash flows to be generated by the asset.

In the event that the asset does not generate cash flows independently of other assets, Abengoa calculates the recoverable amount of the Cash-Generating Unit to which the asset belongs.

Assumptions used to calculate value in use include a discount rate, growth rates and projected changes in both selling prices and costs. The discount rate is estimated by Management, to reflect both changes in the value of money over time and the risks associated with the specific Cash-Generating Unit. Growth rates and changes in prices and costs are projected based on internal and industry projections and management experience respectively.

The estimated discount rates are representative of the weighted cost of capital of each type of project, concession or intangible asset, and according to the country in which they are located. For its calculation, Abengoa has considered the typology of the projects or concessions, the financial leverage, the conditions of the debt, and the time horizon of the projects

The main assumptions used in calculating the value in use are:

› For concession assets with a defined useful life and with a project debt, cash flow projections until the end of the project are considered and no terminal value is assumed.

› At present, the CGU is defined at a concessional asset level and the discount rates (WACC) used to calculate the recoverable amount of those CGUs is between 7% and 11%

  The use of such financial projections is justified by these concessional assets which are characterized by a contractual structure (framework agreement) that allows the Company to estimate quite accurately the costs of the project (both in the construction and in the operations periods) and revenue during the life of the project, given that they are regulated by long term sales agreements, such as take-or-pay or power purchase agreements.

  In this way, projections take into account real data based on the contract terms and fundamental assumptions based on specific reports prepared by experts, assumptions on demand and assumptions on production. Additionally, assumptions on macro-economic conditions are taken into account, such as inflation rates, risk free rates, country risk, interest rates, etc. and discount rates are calculated based on the capital asset pricing model (CAPM) using consistent hypothesis for all assets and considering every evaluated asset's own nature when estimating the beta coefficient.

› Cash flows of assets abroad are calculated in the functional currency of said assets and are updated through discount rates that take the country risk into consideration, usually by using the local 10-year bond as reference When said information is not available, the euro risk-free rate plus the inflation differential of both currencies plus the country risk premium obtained from external reference sources is used.

› Taking into account that in most assets the specific financial structure is linked to the financial structure of the projects that are part of those CGUs, the discount rate used is adjusted, if necessary, in accordance with the business of the specific activity and with the risk associated with the country where the project is located.

- In addition, sensitivity analyses are performed, especially in relation to the discount rate used, the residual value and fair value changes in the main business variables, in order to ensure that possible changes in the estimates of these items do not impact the possible recovery of recognized assets.

  In the event that the recoverable amount of an asset is lower than its carrying amount, an impairment charge for the difference is recorded in the Consolidated Income Statement under the item "Depreciation, amortization and impairment charges". With the exception of goodwill, impairment losses recognized in prior periods which are later deemed to have been recovered are credited to the same income statement heading.

## 2.11. Financial Investments (current and non-current)

Financial assets are classified into the following categories, based on the entity's management model for said assets as well as the contractual features of the financial asset flows:

a) financial assets at fair value through profit or loss;

b) accounts receivable (financial assets at amortized cost); and

c) financial assets at fair value through other comprehensive income.

The classification of each financial asset is determined by Senior Management upon initial recognition and is reviewed at each year end, mainly taking account of a business model where the main goal is to collect payment of the contractual cash flows; hence, the majority of the Group's financial assets are categorized at amortized cost.

### a) Financial assets at fair value through profit or loss

This category includes the financial assets held for trading and those initially designated at fair value through profit and loss. A financial asset is classified in this category if it is acquired mainly for the purpose of being sold in the short term or if it is so designated by Senior Management. Financial derivatives are also classified as held for trading when they do not meet the requirements to be designated as hedging instruments.

They are initially and subsequently recognized at fair value, without including transaction costs. Subsequent changes in said fair value are recognized under "Gains or losses from financial assets at fair value" within the "Finance income or expense" line of the Consolidated Income Statement for the period.

### b) Accounts receivable (financial assets at amortized cost)

This category includes the accounts receivable considered as non-derivative financial assets, with fixed or determinable payments, that are not listed on an active market.

In certain cases, and following the application of the IFRIC 12, certain assets that correspond to an infrastructure (e.g., a water desalination plant) under concession qualify as financial receivables (see Note 2.7.1.b)).

They are recognized initially at fair value plus transaction costs, and subsequently at their amortized cost pursuant to the effective interest rate method. Interest calculated using the effective interest rate method is recognized under "Interest income from loans and credits" within the "Finance income" line of the Consolidated Income Statement.

Financial assets measured at amortized cost have the main purpose of obtaining contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### c) Financial assets at fair value through other comprehensive income

This category includes non-derivative financial assets which do not fall within any of the previously mentioned categories. For Abengoa, they primarily comprise shares in companies that, pursuant to the regulations in force, have not been included in the consolidation perimeter for the 2018 and 2017 periods and in which the parent company's direct and indirect investment is greater than 5% and lower than 20%.

They are initially and subsequently recognized at fair value minus transaction costs. Subsequent changes in said fair value are recognized directly in equity, with the exception of translation differences of monetary assets, which are recognized in the Consolidated Income Statement. Dividends from available-for-sale financial assets are recognized under "Other finance income" within the "Other net finance income/expense" line of the Consolidated Income Statement when the right to receive the dividend is established.

When financial assets at fair value through other comprehensive income are sold or impaired, the accumulated amount recorded in equity is transferred to the Consolidated Income Statement. To establish whether the assets have been impaired, it is necessary to consider whether the reduction in their fair value is significantly below cost and whether it will be for a prolonged period of time. The amount of cumulative loss that is reclassified from equity to profit or loss pursuant to the foregoing shall be the difference between their acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. Impairment losses recognized in the Consolidated Income Statement are not subsequently reversed through the Consolidated Income Statement.

Acquisitions and disposals of investments are recognized on the trading date, this is, the date upon which there is a commitment to purchase or sell the asset. Financial assets at fair value through other comprehensive income are derecognized when the right to receive cash flows from the investment has expired or has been transferred and all the risks and rewards derived from owning the asset have likewise been substantially transferred.

At the date of each Consolidated Statement of Financial Position, the Group evaluates if there is any objective evidence that the value of any financial asset or any group of financial assets has been impaired. This process requires significant judgment. To make this judgment, the Group assesses, among other factors, for how long and to what extent the fair value of an investment will be below its cost, considering the financial health and short-term prospects of the company issuing the securities, including factors such as the industry and sector return, changes in the technology and cash flows from operating and financing activities.

## 2.12. Derivative financial instruments and hedging activities

Derivatives are recorded at fair value. The Company applies hedge accounting to all hedging derivatives that qualify to be accounted for as hedges under IFRS 9.

When hedge accounting is applied, hedging strategy and risk management objectives are documented at inception, as well as the relationship between hedging instruments and hedged items. Effectiveness of the hedging relationship needs to be assessed on an ongoing basis. Effectiveness tests are performed prospectively and retrospectively at inception and at each reporting date, following the dollar offset method or the regression method, depending on the type of derivatives.

The Company has three types of hedges:

### a) Fair value hedge for recognized assets and liabilities

Changes in fair value of the derivatives are recorded in the Consolidated Income Statement, together with any changes in the fair value of the asset or liability that is being hedged.

### b) Cash flow hedge for forecasted transactions

The effective portion of changes in fair value of derivatives designated as cash flow hedges are recorded temporarily in equity and are subsequently reclassified from equity to profit or loss in the same period or periods during which the hedged item affects profit or loss. Any ineffective portion of the hedged transaction is recorded in the Consolidated Income Statement as it occurs.

When options are designated as hedging instruments (such as interest rate options described in Note 14), the intrinsic value and time value of the financial hedge instrument are separated. Changes in intrinsic value which are highly effective are recorded in equity and subsequently reclassified from equity to profit or loss in the same period or periods during which the hedged item affects profit or loss. Changes in time value are recorded in the Consolidated Income Statement, together with any ineffectiveness.

When the hedged forecasted transaction results in the recognition of a non-financial asset or liability, gains and losses previously recorded in equity are included in the initial cost of the asset or liability.

When the hedging instrument matures or is sold, or when it no longer meets the requirements to apply hedge accounting, accumulated gains and losses recorded in equity remain as such until the forecast transaction is ultimately recognized in the Consolidated Income Statement. However, if it becomes unlikely that the forecasted transaction will actually take place, the accumulated gains and losses in equity are recognized immediately in the Consolidated Income Statement.

### c) Net investment hedges in foreign operation

Hedges of a net investment in a foreign operation, including the hedging of a monetary item considered part of a net investment, are recognized in a similar way to cash flow hedges.

- The gain or loss of the hedge which is determined as effective will be directly recognized as equity though the Consolidated Statements of Changes in Equity; and
- The ineffective portion will be recognized in the Consolidated Income Statement.

The gain or loss of the hedge related to the portion which has been recognized directly as equity will be reclassified to the Consolidated Income Statement when the foreign operation is sold or otherwise disposed of.

Contracts held for the purposes of receiving or making payment of non-financial elements in accordance with expected purchases, sales or use of goods ("own-use contracts") of the Group are not recognized as derivative instruments, but as executory contracts. In the event that such contracts include embedded derivatives, they are recognized separately from the host contract if the economic characteristics of the embedded derivative are not closely related to the economic characteristics of the host contract. The options contracted for the purchase or sale of non-financial elements which may be cancelled through cash outflows are not considered to be own-use contracts.

Changes in fair value of derivative instruments which do not qualify for hedge accounting are recognized immediately in the Consolidated Income Statement. Trading derivatives are classified as a current assets or liabilities.

## 2.13. Fair value estimates

Financial instruments measured at fair value are presented in accordance with the following level classification based on the nature of the inputs used for the calculation of fair value:

- Level 1: Inputs are quoted prices in active markets for identical assets or abilities.
- Level 2: Fair value is measured based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. unlisted prices) or indirectly (derived from valuation models).
- Level 3: Fair value is measured based on unobservable inputs for the asset or liability.

In the event that price rates cannot be observed, the management shall make its best estimate of the price that the market would otherwise establish based on proprietary internal models which, in the majority of cases, use data based on observable market parameters as significant inputs (Level 2) but occasionally use market data that is not observed as significant inputs (Level 3). Different techniques can be used to make this estimate, including extrapolation of observable market data. The best indication of the initial fair value of a financial instrument is the price of the transaction, except when the value of the instrument can be obtained from other transactions carried out in the market with the same or similar instruments, or valued using a valuation technique in which the variables used only include observable market data, mainly interest rates. According to current legislation (IFRS-EU), differences between the transaction price and the fair value based on valuation techniques that use data that is not observed in the market, are not initially recognized in the income statement.

### a) Level 2 valuation

The majority of Abengoa's portfolio comprises financial derivatives designated as cash flow hedges, is classified as level 2 and mainly corresponds to the interest rate cap and floors (see Note 14).

Credit risk effect on the valuation of derivatives is calculated for each of the instruments in the portfolio of derivatives classified within level 2, using the own risk of the Abengoa companies and financial counterparty risk.

Description of the valuation method

- Interest rate Caps and Floors

  Interest rate caps and floors are valued by separating the derivative in the successive caplets/floorlets that comprise the transaction. Each caplet or floorlet is valued as a call or put option, respectively, on the reference interest rate, for which the Black-Scholes approach is used for European-type options (exercise at maturity) with minor adaptations and following the Black-76 model.

- Forward foreign exchange transactions

  Forward contracts are valued by comparing the contracted forward rate and the rate in the valuation scenario at the maturity date. The contract is valued by calculating the cash flow that would be obtained or paid from theoretically closing out the position and then discounting that amount.

Variables (Inputs)

Interest rate derivative valuation models use the corresponding interest rate curves for the relevant currency and underlying reference in order to estimate the future cash flows and to discount them. Market prices for deposits, futures contracts and interest rate swaps are used to construct these curves. Interest rate options (caps and floors) also use the volatility of the reference interest rate curve.

Exchange rate derivatives are valued using the interest rate curves of the underlying currencies in the derivative, as well as the corresponding spot exchange rates.

The inputs in equity models include the interest rate curves of the corresponding currency, the price of the underlying asset, as well as the implicit volatility and any expected future dividends.

To estimate the credit risk of the counterparty, the credit default swap (CDS) spreads curve is obtained in the market for important individual issuers. For less liquid issuers, the spreads curve is estimated using comparable CDSs or based on the country curve. To estimate proprietary credit risk, prices of debt issues in the market and CDSs for the sector and geographic location are used.

The fair value of the financial instruments that results from the aforementioned internal models, takes into account, among other factors, the terms and conditions of the contracts and observable market data, such as interest rates, credit risk, exchange rates, commodities and share prices, and volatility. The valuation models do not include significant levels of subjectivity, since these methodologies can be adjusted and calibrated, as appropriate, using the internal calculation of fair value and subsequently compared to the corresponding actively traded price. However, valuation adjustments may be necessary when the listed market prices are not available for comparison purposes.

### b) Level 3 valuation

Level 3 includes available for sale financial assets, as well as derivative financial instruments whose fair value is calculated based on models that use non observable or illiquid market data as inputs.

Fair value within these elements was calculated by taking as the main reference the value of the investment - the company's cash flow generation based on its current business plan, discounted at a rate appropriate for the sector in which each of the companies is operating. Valuations were obtained from internal models. These valuations could vary where other models and assumptions made on the principle variables had been used, however the fair value of the assets and liabilities, as well as the results generated by these financial instruments are considered reasonable.

Detailed information on fair values is included in Note 12.

## 2.14. Inventories

Inventories are valued at the lower of cost or net realizable value. In general, cost is determined by using the Weighted Average Cost (WAC) method. The cost of finished goods and work in progress includes design costs, raw materials, direct labor, other direct costs and general manufacturing costs (assuming normal operating capacity). Borrowing costs are not included. The net realizable value is the estimated sales value in the normal course of business, less applicable variable selling costs.

Cost of inventories includes the transfer from equity of gains and losses on qualifying cash-flow hedging instruments related with the purchase of raw materials or with foreign exchange contracts.

## 2.15. Clients and other receivables

Clients and other receivables relate to amounts due from customers for sales of goods and services rendered in the normal course of operation.

Clients and other receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. Trade receivables due in less than one year are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

A provision for impairment of trade receivables is recorded when there is objective evidence that the Group will not be able to recover all amounts due as per the original terms of the receivables. The existence of significant financial difficulties, the probability that the debtor is in bankruptcy or financial reorganization and the lack or delay in payments are considered evidence that the receivable is impaired. Nonetheless, as indicated in Note 2.3 relative to the application of the new IFRS 9, that is applicable from January 1, 2018, the new expected loss model is applied based on the credit risk and the clients and receivables' loss ever outstanding.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. When a trade receivable is uncollectable, it is written off against the bad debt provision.

Clients and other receivables which have been factored with financial entities are derecognized and hence removed from assets on the Consolidated Statement of Financial Position only if all risks and rewards of ownership of the related 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 has been transferred, and is derecognized from the Consolidated Statement of Financial Position (See Note 4.b)).

## 2.16. Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in bank and other highly-liquid current investments with an original maturity of three months or less which are held for the purpose of meeting short-term cash commitments.

In the Consolidated Statement of Financial Position, bank overdrafts are classified as borrowings within current liabilities.

## 2.17. Share capital

Parent company shares are classified as equity. Transaction costs directly attributable to new shares are presented in equity as a reduction, net of taxes, to the consideration received from the issue.

Treasury shares are classified in Equity-Parent company reserves. Any amounts received from the sale of treasury shares, net of transaction costs, are classified as equity.

## 2.18. Government grants

Non-refundable capital grants are recognized at fair value when it is considered that there is a reasonable assurance that the grant will be received and that the necessary qualifying conditions, as agreed with the entity assigning the grant, will be adequately met.

Grants related to income are recorded as liabilities in the Consolidated Statement of Financial Position and are recognized in "Other operating income" in the Consolidated Income Statement based on the period necessary to match them with the costs they intend to compensate.

Grants related to fixed assets are recorded as non-current liabilities in the Consolidated Statement of Financial Position and are recognized in "Other operating income" in the Consolidated Income Statement on a straight-line basis over the estimated useful economic life of the assets.

## 2.19. Loans and borrowings

External resources are classified in the following categories:

a) project debt (see Note 19);

b) corporate financing (see Note 20).

Loans and borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost and any difference between the proceeds initially received (net of transaction costs incurred in obtaining such proceeds) and the repayment value is recognized in the Consolidated Income Statement over the duration of the borrowing using the effective interest rate method.

Interest free loans and loans with interest rates below market rates, mainly granted for research and development projects, are initially recognized at fair value in liabilities in the Consolidated Statement of Financial Position. The difference between proceeds received from the loan and its fair value is initially recorded within "Grants and Other liabilities" in the Consolidated Statement of Financial Position, and subsequently recorded in "Other operating income- Grants" in the Consolidated income statement when the costs financed with the loan are expensed. In the case of interest free loans received for development projects where the Company record an intangible asset, income from the grant will be recognized according to the useful life of the asset, at the same rate as we record its amortization.

Commissions paid for obtaining credit lines are recognized as transaction costs if it is probable that part or all of the credit line will be drawn down. If this is the case, commissions are deferred until the credit line is drawn down. If it is not probable that all or part of the credit line will be drawn down, commission costs are expensed in the period.

### Ordinary notes

The company initially recognizes ordinary notes at fair value, net of issuance costs incurred. Subsequently, notes are measured at amortized cost until settlement upon maturity. Any other difference between the proceeds obtained (net of transaction costs) and the redemption value is recognized in the Consolidated Income Statement over the term of the debt using the effective interest rate method.

## 2.20. Current and deferred income taxes

Income tax expense for the period comprises current and deferred income tax. Income tax is recognized in the Consolidated Income Statement, except to the extent that it relates to items recognized directly in equity. In these cases, income tax is also recognized directly in equity.

Current income tax expense is calculated on the basis of the tax laws in force or about to enter into force as of the date of the Consolidated Statement of Financial Position in the countries in which the subsidiaries and associates operate and generate taxable income.

Deferred income tax is calculated in accordance with the Consolidated Statement of Financial Position liability method, based upon the temporary differences arising between the carrying amount of assets and liabilities and their tax base. However, deferred income tax is not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined using tax rates and regulations which are enacted or substantially enacted at the date of the Consolidated Statement of Financial Position and are expected to apply and/or be in force at the time when the deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only when it is probable that sufficient future taxable profit will be available to use deferred tax assets.

Deferred taxes are recognized on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is not probable that temporary differences will reverse in the foreseeable future.

## 2.21. Employee benefits

### Bonus schemes

The Group records the amount annually accrued in accordance with the percentage of compliance with the plan's established objectives as personnel expense in the Consolidated Income Statement.

Expenses incurred from employee benefits are disclosed in Note 29.

## 2.22. Provisions and contingencies

Provisions are recognized when:

› there is a present obligation, either legal or constructive, as a result of past events;

› it is more likely than not that there will be a future outflow of resources to settle the obligation; and the amount has been reliably estimated.

Provisions are initially measured at the present value of the expected outflows required to settle the obligation and the increase in the provision as a result of the passage of time is recognized as on interest expense.

Contingent liabilities are possible obligations, existing obligations with low probability of a future outflow of economic resources and existing obligations where the future outflow cannot be reliably estimated. Contingences are not recognized in the Consolidated Statements of Financial Position unless they have been acquired in a business combination.

## 2.23. Trade payables and other liabilities

Trade payables and other liabilities are obligations arising from the purchase of goods or services in the ordinary course of business and are recognized initially at fair value and are subsequently measured at their amortized cost using the effective interest method.

Other liabilities are obligations not arising from the purchase of goods or services in the normal course of business and which are not treated as financing transactions.

Advances received from customers are recognized as "Trade payables and other current liabilities".

### Non-recourse confirming

The International Financial Reporting Standards ("IFRS") do not explicitly state the accounting treatment applicable to the aforementioned transactions. Nevertheless, the European Securities and Markets Authority (ESMA) issued a public statement on October 27, 2015 which defines their priorities when preparing the Financial statements for the year 2015, in order to promote consistent application of the IFRS among issuers. The aforementioned statement state that these types of transactions (also called "reverse factoring") should be analyzed depending on the economic substance of the agreements, so that issuers can conclude whether the trade debt should be classified as financial debt within the Statements of financial position, or payments made should be classified as financial or operational within the Cash flow statements. In either case, ESMA recommends that the issuer provides clear details of the accounting classification policy that it has applied, indicating the assumptions that have been made and the corresponding quantitative impacts.

Consequently, provided that there are no material changes to the conditions of the trade debt (for example, to the due date, the amount or the interest rates, if applicable), the fact that due to the use of confirming, the new legal creditor is a financial institution instead of the supplier, does not change the economic character of the debt that arose from the operational activities of the Group company,

Consequently, the accounting policy consistently chosen by Abengoa over the last few years regarding its supplier balances associated with non-recourse confirming has been to record them until their due date under the "Suppliers and other accounts payable" heading in the Statements of financial position regardless of whether the collection rights have been assigned by the creditor to a financial institution.

## 2.24. Foreign currency transactions

### a) Functional currency

Financial statements of each subsidiary within the Group are measured and reported in the currency of the principal economic environment in which the subsidiary operates (subsidiary's functional currency). The Consolidated financial statements are presented in euro, which is Abengoa's functional and reporting currency.

### b) Transactions and balances

Transactions denominated in a currency different from the subsidiary's functional currency are translated into the subsidiary's functional currency applying the exchange rates in force at the time of the transactions. Foreign currency gains and losses that result from the settlement of these transactions and the translation of monetary assets and liabilities denominated in foreign currency at the year-end rates are recognized in the Consolidated Income Statement, unless they are deferred in equity, as occurs with cash-flow hedges and net investment in foreign operations hedges.

### c) Translation of the Financial statements of foreign companies within the Group

Income statements and Statements of financial position of all Group companies with a functional currency different from the group's reporting currency (euro) are translated to euros as follows:

1) All assets and liabilities are translated to euros using the exchange rate in force at the closing date of the Consolidated financial statements.

2) Items in the Income Statement are translated into euros using the average annual exchange rate, calculated as the arithmetical average of the average exchange rates for each of the twelve months of the year, which does not differ significantly from using the exchange rates of the dates of each transaction.

3) The difference between equity, including profit or loss calculated as described in (2) above, translated at the historical exchange rate, and the net financial position that results from translating the assets, and liabilities in accordance with (1) above, is recorded in equity in the Consolidated Statement of Financial Position under the heading "Accumulated currency translation differences".

Results of companies carried under the equity method are translated at the average annual exchange rate calculated described in c) 2) above.

Goodwill arising on the acquisition of a foreign company is treated as an asset of the foreign company and is translated at the year-end exchange rate.

## 2.25. Revenue recognition

### a) Ordinary income

Ordinary income comprises the fair value of sales of goods or services, excluding VAT or similar taxes, any discounts or returns and excluding sales between Group entities.

Ordinary income is recognized as follows:

- Income from the sale of goods is recognized when the Group delivers the goods to the client, the client accepts them and it is reasonably certain that the related receivables will be collectible.
- Income from the sale of services is recognized in the period in which the service is provided.
- Interest income is recognized using the effective interest rate method. When a receivable is considered impaired, the carrying amount is reduced to its recoverable amount, discounting the estimated future cash flows at the original effective interest rate of the instrument and recording the discount as a reduction in interest income. Income from interest on loans that have been impaired is recognized when the cash is collected or on the basis of the recovery of the cost when the conditions are guaranteed.
- Dividend income is recognized when the right to receive payment is established.

### b) Construction contracts

Costs incurred in relation to construction contracts are recognized when incurred. When the outcome of a construction contract cannot be reliably estimated, revenues are only recognized up to those that are highly probable not to entail a significant reversal thereof in the future.

When the outcome of a construction contract can be reliably estimated and it is probable that it will be profitable, revenue from the contract is recognized over the term of the contract. When it is probable that the costs of the project will be greater than its revenue, expected loss is recognized immediately as an expense (pursuant to IAS 37). To determine the appropriate amount of revenue to be recognized in any period, the percentage of completion method is applied. The percentage of completion method considers, at the date of the Statement of Financial Position, the actual costs incurred as a percentage of total estimated costs for the entire contract.

Partial billing that has not been settled yet by the clients and withholdings are included under the Trade and other receivables heading.

Gross amounts owed by clients for ongoing works in which the costs incurred plus recognized profits (minus recognized losses) exceed partial billing are presented as assets under the heading of "Unbilled Revenue" within "Clients and other receivables" heading of the Statement of Financial Position.

On the other hand, amounts outstanding from customers for work in progress for which the billing to date is greater than the costs incurred plus recognized profits (less recognized losses) are shown as liabilities within the line item "Advance payments from clients" in the Trade payables and other current liabilities caption of the Consolidated Statement of Financial Position.

Lastly, as stated in Note 2.6 on the measurement of property, plant and equipment in internal asset construction projects outside the scope of IFRIC 12 on Service Concession Arrangements (see Note 2.7), revenues and profits between group companies are eliminated, meaning that such assets are shown at their acquisition cost.

Contract amendments (instructions from the client to change the scope of the initial work to be done) will be registered as income only when they have been approved and signed and it is highly probable that no reversal will occur.

Claims from clients due to not included costs in the initial scope of the contracted work will be registered as revenues only when a formal approval from the client exists.

### c) Concession contracts

Concession contracts are public services agreements for periods usually between 20 and 30 years including both the construction of infrastructure and future services associated with the operation and maintenance of assets in the concession period. Revenue recognition, as well as, the main characteristics of these contracts are detailed in Note 2.7.

## 2.26. Leases

Lease contracts of fixed assets in which a Group company is the lessee and substantially retains all the risks and rewards associated with the ownership of the assets are classified as finance leases.

Finance leases are recognized at inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments over the contract term. Each lease payment is distributed between debt and financing costs, in a way which establishes a constant interest rate on the outstanding debt. The amounts to be paid over the lease term, net of financing costs, are recognized as non-current and current payables, as appropriate. The interest portion of the financing costs is charged to the Consolidated Income Statement over the period of the lease agreement, in order to obtain a constant periodic interest rate on the balance of the outstanding debt in each period. Assets acquired under finance lease agreements are depreciated over the shorter of the useful life of the asset and the lease term.

Lease agreements undertaken by the Group in which the entity entering into the agreement does not substantially retain all the risks and rewards associated with the ownership of the asset are classified as operating leases. Payments made under operating leases are charged to the Consolidated Income Statement (net of any incentives received from the lessor) on a straight-line basis over the lease term.

As Note 2.3 states, the new IFRS 16 "Leases" accounting standard will apply as of January 1, 2019.

## 2.27. Segment reporting

Information on the Group's operating segments is presented in accordance with internal information provided to the Group's Chief Operating Decision Maker (CODM). The CODM, responsible for assigning resources and evaluating the performance of the operating segments, has been identified as the Chairman.

The President evaluates the business from a business activity and geographic perspective. As described in Note 5, the CODM reviews the business by grouping into 2 activities: Engineering & Construction and Concession-type Infrastructures.

Geographically, the Group reports financial information by 6 regions which are Spain (home market), North America, South America (except Brazil), Brazil, Europe (except Spain) and other (the remaining overseas markets).

For detailed information on segment reporting, see Note 5.

## 2.28. Environmental assets

Equipment, installations and systems used to eliminate, reduce or control possible environmental impacts are recognized applying the same criteria used for other similar assets.

Provisions made for the environmental restoration, the costs of restructuring and the litigations are recognized when the company has a legal or constructive obligation as a result of past events, it becomes probable that an outflow of resources will be necessary to settle the obligation and the outflow can be reliably estimated.

Note 33.6 gives additional information on the Group's environmental policies.

## 2.29. Severance payments

Severance payments are made to employees in the event that the Company terminates their employment contract.

With regard to extinctive collective measures, the Company carried out in 2018, 4 Employment Regulatory Records that have led to objective dismissals with severance payments, (13 in 2017).

## 2.30. Assets held for sale and discontinued operations

The Group classifies property, plant and equipment, intangible assets and disposal groups (groups of assets that are to be sold together with their directly associated liabilities) as assets held for sale when, at the date of the Consolidated Statement of Financial Position, an active program to sell them has been initiated by Management and the sale is foreseen to take place within the following twelve months.

The Group includes in discontinued operations those business lines which have been sold or otherwise disposed of or those that meet the conditions to be classified as held-for-sale. Discontinued operations also include those assets which are included in the same sale program together with the business line. Entities which are acquired exclusively with a view for resale are also classified as discontinued operations.

Assets held for sale or disposal groups are measured at the lower of their carrying value or fair value less estimated costs necessary to sell them. They are no longer amortized or depreciated from the moment they are classified as assets held for sale.

Assets held for sale and the components of disposal groups are presented in the Consolidated Statement of Financial Position grouped under a single heading as "Assets held for sale". Liabilities are also grouped under a single heading as "Liabilities held for sale".

The after-tax profit or loss on discontinued operations is presented in a single line within the Consolidated Income Statement under the heading "Profit (loss) from discontinued operations, net of tax".

Further information is provided on assets held for sale and discontinued operations in Note 7.

## 2.31. Third-Party Guarantees and Commitments

The types of guarantees given to third parties in the normal course of activities in Abengoa:

a) Bank guarantees and surety insurances: Correspond to guarantees provided by financial entities to Group companies to comply with any commitment made to a third party (Bid bonds, performance and others)

   In case of breach of the undertaken commitment, and therefore, a possible obligation with the financial entity, the Company proceeds to recognize a liability in the Consolidated Statement of Financial Position sheet only when outflows of resources are probable.

b) Guarantees: Correspond to commitments documented by a Group company to a third party (Bid Bonds, performance, financing and others)

   In case of breach of the undertaken commitment, and therefore, a possible obligation with the third party, the Company proceeds to recognize a liability in the Consolidated Statement of Financial Position sheet only when outflows of resources are probable, provided that such obligation was not previously recognized in the balance sheet.

Further information provided in Note 23.

# Note 3.- Critical accounting estimates and judgements

These Consolidated financial statements under IFRS-EU standards require estimates and assumptions that have an impact in assets, liabilities, income, expenses and disclosures related. Actual results could be shown differently than estimated. The most critical accounting policies, which show the most significant estimates and assumptions of the business to determine the amounts in these Consolidated financial statements, are:

› Valuation of assets classified as held for sale.

› Revenue and expense from construction contracts.

› Service concession agreements.

› Income taxes and recoverable amount of deferred tax assets.

› Guarantees provided to third parties and contingent liabilities.

Some of these critical accounting policies require the development of significant judgment by The Board of Directors in order to determine appropriate assumptions of and estimates to determine these critical accounting policies. These estimates and assumptions of are not only based on historical experience of the Company, but also, on the advice of experts and consultants, as well as expectations and forecasts as of the end of the reporting period. Directors´ assessment has to be considered given the business environment of the industries and geographies in which the Group operates, taking into account the future development of the business. Provided its nature, these judgments and assumptions are subject to an inherent degree of uncertainty and, thus, the real results may materially differ from assumptions of and estimates used. Upon the occurrence of such event, assets and liabilities would be adjusted.

Based on what has been exposed in Note 2.2.2 regarding the application of the going concern accounting principle and during the accounting policies adaptation process, the best estimates and assumptions have been made by the Board of Directors in order to determine the impacts of that situation over the assets, liabilities, income and expenses recorded therein.

Upon the occurrence of a significant change in the facts and circumstances upon which estimates and assumptions have been made, management might be required the management to amend such estimates and assumptions in future periods. Changes in accounting estimates are recognized prospectively, in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

## Valuation of assets classified as held for sale.

The Group classifies property, plant and equipment, intangible assets and disposal groups (groups of assets that are to be sold together with their directly associated liabilities) as assets held for sale when, at the date of the Consolidated Statement of Financial Position, an active program to sell them has been initiated by Management and the sale is foreseen to take place within the following twelve months.

Assets held for sale or disposal groups are measured at the lower of their carrying value or fair value less estimated costs necessary to sell them. They are no longer amortized or depreciated from the moment they are classified as assets held for sale.

A loss in the value of these assets due to impairment is recognized when the fair value less the cost of sale is less than the carrying value.

To analyze the fair value and subsequently quantify the possible impairment of assets held for sale, in some cases significant accounting estimates and judgments must be made when it is not possible to explicitly quantify all possible risks.

The standards used to analyze the impairment of assets held for sale are detailed in Note 7 of this Consolidated financial statements.

At the end of the 2018 period, a reversal of an impairment loss of assets classified as held for sale amounting to €38 million (€317 million of net expense in 2017) has been recognized, as the difference between the carrying amount and the fair value less cost of sale (see Note 7).

## Revenue and expenses from construction contracts

Revenue from construction contracts is recognized pursuant to the applicable accounting standard IFRS 15 (see Note 2.3a)) and is estimated using the percentage-of-completion method for contracts whose outcome can be reliably estimated and it is probable that they will be profitable. When the outcome of a construction contract cannot be reliably estimated, revenue is recognized up to those that will not entail a significant reversal thereof in the future.

As described in Note 2.25.b), the percentage of completion is determined at the date of Consolidated Statement of Financial Position based on the actual costs incurred as a percentage of total estimated costs for the entire contract.

Revenue recognition using the percentage-of-completion method involves the use of estimates of certain key elements of the construction, such as total estimated costs, allowances or provisions related to the contract, period of execution of the contract and recoverability of the claims. The Company has established, throughout its trajectory, a robust project management and control system, with periodic monitoring of each project. This system is based on the long-track record of the Group in constructing complex infrastructures and installations. As far as practicable, the Group applies past experience in estimating the main elements of construction contracts and relies on objective data such as physical inspections or third parties confirmations. Nevertheless, given the highly tailored characteristics of the construction contracts, most of the estimates are unique to the specific facts and circumstances of each contract.

Although estimates on construction contracts are periodically reviewed on an individual basis, we exercise significant judgments and not all possible risks can be specifically quantified.

As stated in Note 2.6 about Property plant and equipment, in the internal asset construction projects outside the scope of IFRIC 12 of Service Concession Arrangements (see Note 2.7.1), the totality of the revenues and profits between group companies is eliminated, meaning that said assets are shown at their acquisition cost.

## Concession Agreements

The analysis on whether the IFRIC 12 applies to certain contracts and activities involves various complex factors and it is significantly affected by legal interpretation of certain contractual agreements or other terms and conditions with public sector entities.

Therefore, the application of IFRIC 12 requires extensive judgment in relation with, amongst other factors, (i) the identification of certain infrastructures (and not contractual agreements) in the scope of IFRIC 12, (ii) the 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 recognition of the revenue from construction and concessionary activity.

Changes in one or more of the factors described above may significantly affect the conclusions as to the appropriateness of the application of IFRIC 12 and, therefore, the results of operations or our financial position (see Note 10.1).

## Income taxes and recoverable amount of deferred tax assets

Determining income tax expense requires judgment in assessing the timing and the amount of deductible and taxable items, as well as the interpretation and application of tax laws in different jurisdictions. Due to this fact, contingencies or additional tax expenses could arise as a result of tax inspections or different interpretations of certain tax laws by the corresponding tax authorities.

Group Management assesses the recoverability of deferred tax assets on the basis of estimates of the future taxable profit. In making this assessment, Management considers the foreseen reversal of deferred tax liabilities, projected taxable profit and tax planning strategies. This assessment is carried out on the basis of internal projections, which are updated to reflect the Group's most recent operating trends.

The Group's current and deferred income taxes may be impacted by events and transactions arising in the normal course of business as well as by special non-recurring circumstances. The assessment of the appropriate amount and classification of income taxes is dependent on several factors, including estimates of the timing and realization of deferred tax assets and the timing of income tax payments.

At the closing of 2018, there is an expense due to the deferred tax assets impairment amounted to €215 million (€416 million in 2017) (see Note 24).

Actual collections and payments may materially differ from these estimates as a result of changes in tax laws as well as unforeseen future transactions impacting the income tax balances.

## Third-party guarantees and contingent liabilities

The analysis of the guarantees committed to third parties and contingent liabilities, given the exceptional nature and uncertainty of the current situation of the company, requires a complex judgment to estimate the contractual breaches that may exits and as a consequence of possible breaches, the outflow of resources probability that may give rise to the recognition of a financial liability on the company's consolidated balance sheet.

Such situation could affect the facts and circumstances in which these estimations are based and that could arise significant changes on them.

At the 2018 year-end, a financial liability in the concept of guarantees in the amount of €253 million was recognized (€227 million in 2017) (see Notes 20.5)

# Note 4.- Financial risk management

Abengoa's activities are undertaken through its operating segments and are exposed to various financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and capital risk.

Abengoa counts with a Risk Management Model which aims to minimize potential adverse effects on the Group's return of equity.

Risk is managed by the Group's Corporate Finance Department, which is responsible for identifying and evaluating financial risks in conjunction with the Group's operating segments, quantifying them by project, region and company, and diversifying the sources of finance in an attempt to prevent concentrations.

Written internal risk management policies exist for global risk management, as well as for specific areas of risk, such as foreign exchange risk, credit risk, interest rate risk, liquidity risk, the use of hedging instruments and derivatives and the investment of cash surpluses.

In addition, there are official written management regulations regarding key controls and control procedures for each company and the implementation of these controls is monitored through Internal Audit procedures.

The Group is affected by the following financial risks:

## a) 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 addition, and given the Group's current financial position, the first option considered in newly-awarded projects is to arrange a natural hedge between payments and collections in the same currency.

  In the event that the US dollar exchange rate had increased by 5% against the Euro at December 31, 2018, with the remaining variables remaining constant, the effect on the Consolidated Income Statement would have been a loss of €66,947 thousand (€22,095 thousand in 2017) mainly due to the Group's net liability position in said currency in companies with a different functional currency.

  At December 31, 2018 and 2017, no derivatives relating to amounts receivable and payable in foreign currencies have been contracted (see Note 14).

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

  In this respect, 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.

  As a general rule, hedges were carried out for 80% the amount and a variable interest rate financing period using caps and/or swaps contracts.

  Nonetheless, due to the Group's current financial position, which has resulted in a lower level of new financing or in the already-acquired financing to be at a fixed interest rate (mainly New Money/Old Money), contracting additional hedging for the interest rate risk has not been necessary.

  At December 31, 2018, if the Euribor interest rate had increased by 25 basis points, with the remaining variables remaining constant, the effect on the Consolidated Income Statement would have been a loss of €188 thousand (€184 thousand in 2017), mainly due to a variation in time value of interest rate caps and to a decrease of €11 thousand (a decrease of €85 thousand in 2017) in other reserves, mainly due to the increased value of interest rate hedges, mainly caps.

  A breakdown of the interest rate derivatives as of December 31, 2018 and 2017 is provided in Note 14 of these 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, 2018 and 2017 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.

## b) 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).

b) Current financial investments and cash (see Notes 13, 14 and 17).

› 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, the Group uses different measures, which include an analysis of the client's credit risk as a step prior to any trade agreement, the establishment by contract of a payment schedule beforehand from the beginning of the construction contract, a reduction of the payment collection period for invoices though a prompt payment discount as well as, and to the extent possible within the context of the current financial position, counting with 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 9 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 this respect, and if it is concluded, from the individual assessment made of each contract, that the relevant risk associated to these contracts has been transferred to the financial entity, said receivables are derecognized from the Consolidated Statement of Financial Position at the moment that they are transferred to the financial entity pursuant to IFRS 9.

  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.

  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, 2018 and 2017.

› 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.

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 2018, no significant amounts in arrears are susceptible to be disclosed in addition to the information required by IFRS 7.

On the other hand, and as explained in Note 2.3. on the application of the new accounting standard IFRS 9 "Financial Instruments" in the Group as of January 1, 2018, the effect of the impairment provision required by the implementation of the new "expected loss" model introduced by said standard has not had a significant impact in the Consolidated financial statements of the Group.

## c) 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 fixed assets in project (see Notes 2.7 and 19).

› Corporate Financing, used to finance the activities of the remaining companies which are not financed under the aforementioned financing model, this is, financing associated to entities "with recourse". Up to March 31, 2017, Abengoa, S.A. managed the activity of the remaining subsidiaries which are not financed under the Group's Corporate Financing modality, centralizing the cash surplus of the remaining companies to distribute it according to the different needs of the Group. As of that date, and due to the restructuring process mentioned in Note 2.2.1.1, this management process is now conducted by Abengoa Abenewco 1, S.A.U.

At the end of the 2018 period, the Group's main financing, which represents approximately 80% of the total corporate financing of the Statement of Financial Position at the end of the period, corresponds to the financing named New Money 1, New Money 2 and Old Money financing, as well as to the syndicated guarantee facilities (see Note 20).

As Note 2.2.2. explains, at the date of preparation of these Consolidated financial statements, the Group has announced the conclusion of a financial restructuring process with the New Money 2 and Old Money creditors at the date of preparation of these Consolidated financial statements, that allows the former to ensure the viability of the Group in the short and medium term and which, along with the attainment of the new approved 10-year Viability Plan, associated to the capacity of the Group to generate resources from its operations, allows them, at the same time, to maintain Abengoa, S.A.'s, (the parent company) balance in the equity accounts and to provide sufficient liquidity as required to recover the market confidence, which are essential for the company to continue its activity in a competitive and sustainable manner in the future.

Said restructuring agreement contemplates the provision of additional liquidity to the Group up to €97 million, as well as of a new guarantee facility, which are essential for the award of new projects which allow the Group to generate additional liquidity as well as to regain the market's confidence.

The aforementioned viability plan includes the main payment commitments that the Company needs to undertake in the short and medium term, counting with the contractual instruments agreed-upon with the main financial creditors, which contain the required mechanisms, within specific limits, so that the parent company receives part of the funds generated by the Group.

On the other hand, the Group is thoroughly monitoring the short-term liquidity plan as well as the divestment plan, taking the appropriate measures to ensure compliance with its obligations. In this regard, significant divestments have been carried out during the 2018 period that have allowed it to amortize a significant portion of its debt, as well as to reduce the related financial expenses.

In addition, the Group is conducting an active policy in the management of providers, with special focus on the oldest balances, aiming to reach trade, financing or restructuring agreements for its debt that allow to accommodate the repayment of its obligations to the generation of future cash flow.

The Group will continue with this process in the future as part of its liquidity strategy.

## d) 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, adopting the required measures established in the corresponding regulatory framework such as, for example, capital reduction or merging operations, among others, that allow it to continue with its operations in a more efficient manner and, if applicable, generating synergies.

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 goal is to maintain reasonable leverage, while considering the restrictions established in the main financing contracts at all times as pertains to the assumption of new corporate financial debt.

As indicated in the previous section, the Group has concluded a financial restructuring process as to allow it to ensure its viability in the short and medium term, as well as to mitigate both the aforementioned liquidity risk and the capital risk.

# Note 5.- Financial information by segment

## 5.1. Information by business segment

› As indicated in Note 1, Abengoa's activity is grouped under the following two activities:

› Engineering and construction; includes the traditional engineering business in the energy and water sectors, with more than 75 years of experience in the market. Abengoa is specialized in carrying out complex "turnkey 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, it performs activities related to the development of solar thermal and water management technologies and innovative technological business activities such as hydrogen or the management of energy crops.

› Concession-type infrastructures; groups together the company's extensive portfolio of 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 operation of electric energy generation plants (solar, cogeneration or wind), desalination plants and transmission lines. These assets generate low demand risk and the Company focuses on operating them as efficiently as possible.

› 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, in line with the new 10-year Viability Plan approved by the Board of Directors at their meetings of December 10, 2018 and subsequently on January 21, 2019, 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, 2018 and 2017. The classification has been done in accordance with the IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations".

› 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. 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.

a) The following table shows the Segment Revenues and EBITDA for period ended December 31, 2018 and 2017:

| | Revenue | | | Ebitda | | |
|---|---|---|---|---|---|---|
| Item | 2018 | 2017 | Var (%) | 2018 (1) | 2017 (1) | Var (%) |
| Engineering and construction | 1,111,659 | 1,316,624 | (16) | 75,017 | 24,904 | 201 |
| Concession-Type infrastructure | 191,067 | 163,144 | 17 | 113,418 | 102,027 | 11 |
| Total | 1,302,726 | 1,479,768 | (12) | 188,435 | 126,931 | 48 |

(1) Includes fees by independent professionals other than the advisors who participated in the restructuring process amounting to €28 million and €52 million at December 31, 2018 and 2017, respectively.

The reconciliation of segment EBITDA with the profit attributable to owners of the parent is as follows:

| Item | 2018 | 2017 |
|---|---|---|
| Total segment EBITDA | 188,435 | 126,931 |
| Amortization and depreciation | (40,132) | (405,011) |
| Financial expenses net | (1,558,756) | 5,755,323 |
| Share in profits/ (losses) of associates | 107,399 | (72,680) |
| Income tax expense | (131,584) | (824,726) |
| Profit (loss) from discontinued operations, net of tax | (53,031) | (295,819) |
| Profit attributable to non-controlling interests | (10,192) | (6,248) |
| Profit attributable to the parent company | (1,497,861) | 4,277,770 |

b) The assets and liabilities by segment as of December 31, 2018 and December 31, 2017 are as follows:

| Item | Engineering & Const. | Concession-Type Infrastructure | Balance at 12.31.18 (1) |
|---|---|---|---|
| Allocated Assets | | | |
| Intangible Assets | 46,645 | - | 46,645 |
| Property, Plant and Equipment | 141,733 | - | 141,733 |
| Property, Plant and Equipment in Projects | 1,682 | 345,288 | 346,970 |
| Current Financial Investments | 112,040 | 17,671 | 129,711 |
| Cash and Cash Equivalents | 171,470 | 33,130 | 204,600 |
| Allocated Subtotal | 473,570 | 396,089 | 869,659 |
| Unallocated Assets | | | |
| Non-current Financial Investments | - | - | 28,026 |
| Deferred Tax Assets | - | - | 136,709 |
| Other Current and Non-current Assets | - | - | 678,526 |
| Assets Held for Sale and Discontinued Operations | - | - | 2,116,859 |
| Unallocated Subtotal | | | 2,960,120 |
| Total Assets | | | 3,829,779 |

| Item | Engineering & Const. | Concession-Type Infrastructure | Balance at 12.31.18 (1) |
|---|---|---|---|
| Allocated Liabilities | | | |
| Debt with Financial Institutions and Bonds Current and Non-current | 4,356,058 | 51,091 | 4,407,149 |
| LT & ST Non-recourse Financing | 4,473 | 315,213 | 319,686 |
| Allocated Subtotal | 4,360,531 | 366,304 | 4,726,835 |
| Unallocated Liabilities | | | |
| Grants and Other Liabilities | - | - | 113,290 |
| Provisions and Contingencies | - | - | 61,794 |
| Deferred Tax Liabilities | - | - | 125,058 |
| Employee Benefit Liabilities | - | - | 11,996 |
| Other Current Liabilities | - | - | 1,696,681 |
| Held-for-Sale Liabilities | - | - | 1,345,141 |
| Unallocated Subtotal | | | 3,353,960 |
| Total Liabilities | | | 8,080,795 |
| Unallocated Equity | - | - | (4,251,016) |
| Total Liabilities and Unallocated Equity | | | (897,056) |
| Total Liabilities | | | 3,829,779 |

(1) See Note 7 for a better understanding of assets and liabilities classified as non-current liabilities held for sale given the compliance with the stipulations and requirements of IFRS 5, 'Non-Current Assets Held for Sale and Discontinued Operations'.

| Concept | Engineering & Const. | Concession-Type Infrastructure | Balance at 12.31.17 (2) |
|---|---|---|---|
| Allocated Assets | | | |
| Intangible Assets | 61,811 | 1,763 | 63,574 |
| Property, Plant and Equipment | 171,237 | 173 | 171,410 |
| Property, Plant and Equipment in Projects | 1,018 | 163,654 | 164,672 |
| Current Financial Investments | 194,964 | - | 194,964 |
| Cash and Cash Equivalents | 195,870 | - | 195,870 |
| Allocated Subtotal | 624,900 | 165,590 | 790,490 |
| Unallocated Assets | | | |
| Non-current Financial Investments | - | - | 40,753 |
| Deferred Tax Assets | - | - | 375,814 |
| Other Current and Non-current Assets | - | - | 1,073,346 |
| Assets Held for Sale and Discontinued Operations (1) | - | - | 4,078,194 |
| Unallocated Subtotal | | | 5,568,107 |
| Total Assets | | | 6,358,597 |

| Concept | Engineering & Const. | Concession-Type Infrastructure | Balance at 12.31.17 (2) |
|---|---|---|---|
| Allocated Liabilities | | | |
| LT & ST Corporate Financing | 3,586,741 | 57,018 | 3,643,759 |
| LT & ST Non-recourse Financing | 1,220 | 106,731 | 107,951 |
| Allocated Subtotal | 3,587,961 | 163,749 | 3,751,710 |
| Unallocated Liabilities | | | |
| Grants and Other Liabilities | - | - | 52,275 |
| Provisions and Contingencies | - | - | 23,286 |
| Deferred Tax Liabilities | - | - | 523,286 |
| Employee Benefit Liabilities | - | - | 8,088 |
| Other Current Liabilities | - | - | 2,064,343 |
| Held-for-Sale Liabilities | - | - | 2,343,397 |
| Unallocated Subtotal | | | 5,014,675 |
| Total Liabilities | | | 8,766,385 |
| Unallocated Equity | - | - | (2,407,788) |
| Total Liabilities and Unallocated Equity | | | 2,606,887 |
| Total Liabilities | | | 6,358,597 |

(1) Includes Atlantica Yield, Plc in the item "Assets held for sale".
(2) See Note 7 for a better understanding of assets and liabilities classified as non-current liabilities held for sale given the compliance with the stipulations and requirements of IFRS 5, 'Non-Current Assets Held for Sale and Discontinued Operations'.

The criteria used to obtain the assets and liabilities per segment, are described as follows:

› With the objective of presenting liabilities by segment, Net Corporate Debt has been allocated to the Engineering and Construction segment, as it will be the activity in which Abengoa will focus over the next few years as established in the new 10 years Viability Plan approved (see Note 2.2.2) and in line with the prior Revised Viability Plan of August 2016.

c) The investments in intangible assets, property, plant and equipment and fixed assets in projects for the years, 2018 and 2017 is as follows:

| Item | Balance at 12.31.2018 | Balance at 12.31.2017 |
|---|---|---|
| Engineering and construction | 1,711 | 3,302 |
| Concession type infrastructure | 133,889 | 121,731 |
| Discontinued operations | 25,427 | 35,701 |
| Total | 161,027 | 160,734 |

d) The detail of depreciation, amortization and impairment charges by segments for the period ended at December 2018 and 2017 is as follows:

| Item | 2018 (1) | 2017 (1) |
|---|---|---|
| Engineering and construction | (70,605) | (51,244) |
| Concession type infrastructure | 30,473 | (353,767) |
| Total | (40,132) | (405,011) |

(1) This section includes a positive impact in 2018 amounting to €39 million for the reversal of the impairment loss of certain assets classified as "Assets Held for Sale" (see Note 7.2.) (impairment expenses for an amount of €-312 million in 2017).

## 5.2. Information by geographic areas

a) The revenue distribution by geographic region for period ended December 31, 2018 and 2017 is as follows:

| Geographical region | 2018 | % | 2017 | % |
|---|---|---|---|---|
| - North America | 212,901 | 16% | 194,947 | 13% |
| - South America (except Brazil) | 305,039 | 23% | 324,237 | 22% |
| - Brazil | 40,890 | 3% | 45,864 | 3% |
| - Europe (except Spain) | 121,873 | 9% | 148,370 | 10% |
| - Africa | 203,642 | 16% | 255,453 | 17% |
| - Middle East | 268,817 | 21% | 353,309 | 24% |
| - Other regions | 12,143 | 1% | 10,203 | 1% |
| - Spain | 137,421 | 11% | 147,385 | 10% |
| Consolidated Total | 1,302,726 | 100% | 1,479,768 | 100% |
| Outside Spain amount | 1,165,305 | 89% | 1,332,383 | 90% |
| Spain amount | 137,421 | 11% | 147,385 | 10% |

b) The distribution of Intangible assets and Property, plant and equipment by geographic region as of December 31, 2018 and 2017 is as follows:

| Geographic region | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Spain | 115,953 | 146,720 |
| - North America | 14,864 | 24,419 |
| - South America (except Brazil) | 19,691 | 22,317 |
| - Brazil | 33,140 | 39,942 |
| - Europe (except Spain) | 960 | 1,095 |
| - Other regions | 3,770 | 491 |
| Foreign market | 72,425 | 88,264 |
| Total | 188,378 | 234,984 |

c) The distribution of Fixed assets in projects by geographic region as of December 31, 2018 and 2017 is as follows:

| Geographic region | Balance as of 12.31.18 (*) | Balance as of 12.31.17 |
|---|---|---|
| Spain | 1,391 | 1,601 |
| - South America (except Brazil) | 86,109 | 98,482 |
| - Brazil | - | 7,261 |
| - South Africa | 179,786 | - |
| - Other regions | 79,684 | 57,328 |
| Foreign market | 345,579 | 163,071 |
| Total | 346,970 | 164,672 |

(*) This section includes Concession assets amounting to €159.3 million recognized as Financial assets according to IFRIC 12 (€83.7 million in South America and €75.6 million in Other regions).

# Note 6.- Changes in the composition of the Group

## 6.1. Changes in the consolidation group

a) In 2018 a total of 6 subsidiaries (6 in 2017), 2 associates (zero in 2017) and 4 joint ventures (2 in 2017), were included in the consolidation group, which are identified in Appendices I, II, XII, XIII to these Consolidated financial statements.

These changes did not have a significant impact on the overall consolidated amounts in 2018 and 2017.

In addition, during 2018, 3 temporary joint operations (UTE) were included in the consolidation perimeter (2 in 2017), with partners which do not belong to the Group, that have commenced their activity or have started to undertake a significant level of activity during 2018, and which have been listed in Appendixes III and XIV of these Consolidated financial statements.

The amounts set out below represent the Group's proportional interest in the assets, liabilities, revenues and profits of the UTE with non Group partners, which have been included in the Consolidated financial statements in 2018 and 2017:

| Item | 2018 | 2017 |
|---|---|---|
| Non-current assets | 29,010 | 35,168 |
| Current assets | 51,663 | 127,242 |
| Non-current liabilities | 13,103 | 19,725 |
| Current liabilities | 67,570 | 142,685 |

| Item | 2018 | 2017 |
|---|---|---|
| Revenue | 97,857 | 45,486 |
| Expenses | (85,542) | (48,845) |
| Profit (loss) after taxes | 12,315 | (3,359) |

b) During the year ended December 31, 2018 a total of 35 subsidiaries were no longer included in the consolidation perimeter (166 in 2017), 56 associates (6 associates in 2017) and 5 joint ventures (10 in 2017), which are identified in Appendix IV and V and which did not have any material impact in the Consolidated income statement, except for disposals mentioned in Note 6.2.b).

During 2018, 22 temporary joint operations (UTE) are no longer included in the consolidation perimeter (52 in 2017), which do not belong to the Group, for having ceased their activities or having become non-significant; its net income, proportional to the participation, during the year 2018 has been €85 thousand (null amount in 2017). A breakdown thereof has been included in Appendix VI of these Consolidated financial statements.

Within the companies that have ceased to form part of the consolidation perimeter during 2017 were certain United States companies over which control over them has been lost due to the various open procedures of Chapter 11 and the beginning of their corresponding liquidation processes, once approved by the judge after having reached the majority support of the creditors (see note 2.2.1). As a result of the loss of control, and based on the provisions of IFRS 10, Abengoa's Consolidated income statement was reclassified, within the income statement of discontinued operations, a loss of €80 million corresponding to the amounts recognized in other comprehensive income related to these companies and that correspond mainly to the cumulative translation differences that were maintained in consolidated equity until the date of loss of control.

## 6.2. Main acquisitions and disposals

### a) Acquisitions

During the year 2018 there were no significant acquisitions.

### b) Disposals

- During the year 2018, two significant disposals took place: the completion of sale of Atlantica Yield and the operating transmissions lines in Brazil as part of the Divestment plan established in the Updated Viability Plan, detailed as follows:

  - On November 1, 2017 Abengoa S.A. entered into a sale purchase agreement with Algonquin Power & Utilities Corp., a growth-oriented renewable energy and regulated electric, natural gas and water utility company (the "Purchaser", "Algonquin" or "APUC"), for the sale of a stake of 25% of the issued share capital of Atlantica Yield plc. ("AY"). The sale will become effective once certain conditions precedent have been fulfilled, among others, the approval of the transaction by certain regulatory authorities as well as the Company's creditors (the "25% Sale"). In addition, the parties agreed on an "earn-out" mechanism under which Abengoa could benefit from 30% of the first USD 2 in which the share of AY is revalued, up to a maximum of USD 0.60 per share.

    Additionally, on November 1, 2017, the Company and Algonquin have entered into a memorandum of understanding ("MOU") to, among other things, jointly incorporate a global utility infrastructure company with the purpose of identifying, developing, constructing, owning and operating a portfolio of global utility infrastructure projects ("AAGES").

    The incorporation of AAGES provides an opportunity to leverage on the strengths of each the partners, and help pursuing their mutual and complementary interests. For Abengoa it is an opportunity to strengthen its core EPC and O&M businesses while for Algonquin AAGES will be their international project development platform. In addition, AAGES will provide AY with an ongoing pipeline of compelling asset investment opportunities.

    On March 9, 2018, the Company announced that the operation with Algonquin Power & Utilities Corp has been completed for a total price of USD 607 million, where the debt repayment has reached USD 510 million approximately, according to the New Money financing agreements.

On April 17, 2018, Abengoa announced that has reached an agreement for the sale of its remaining 16.47% stake of Atlantica Yield to Algonquin Power & Utilities Corp. (APUC). This new sale was subject to certain conditions precedent which include the approval of the transaction by certain regulatory bodies and by Abengoa's creditors.

Likewise, an agreement was signed where Abengoa agrees to indemnify Algonquin in case there is a reduction in the annual dividend distributed by Atlantica Yield derived from the performance of the plants, limited by a CAP of USD 0.30 per share and compensable with the "earn-out" described above.

On November 22, 2018, the Company announced that the conditions precedent required to complete the sale of 16.47% had been met, thus completing the divestment of the total of 41.47% shares that it held on Atlantica Yield.

As agreed upon in the aforesaid agreement signed in April 2018 to sell 16.47% of Atlantica Yield's shares, the price was USD 20.90 per share (last closing price of Atlantica Yield prior to the agreement), which entailed a premium of 6.2% over the closing market price on April 16 and 8% over the closing market price of November 21, 2018. The operation has represented a total amount of USD 345 million, which must be reduced by USD 20 million by way of transaction costs and other deductions, as well as by USD 40 million which will be temporarily withheld until certain contingencies are released. On November 27, 2018, the net amount obtained, USD 285 million, was used towards the partial repayment of the New Money 1 debt pursuant to the financing agreements.

As a consequence of the above, a positive impact for an amount of €108 million was registered on December 31, 2018 on the Consolidated income statement as a difference between the book value and the sale value of 41.47% of the stock shares.

- Within the judicial recovery process initiated in Brazil on the transmission line activity, on December 13, 2017 the transmission lines in operation were awarded to the North-American company TPG Capital, previously named Texas Pacific Group, for an amount of BRL482 million. The transaction was subject to authorization from the power regulatory agency Agencia Nacional de Energía Eléctrica (Aneel), the National Bank for Economic and Social Development (BNDES), the Banco da Amazônia bank and bond holders.

  On May 30, 2018, all the conditions precedent were fulfilled for the sale in public auction within the Judicial Recovery to Texas Pacific Group of the transmission lines in operation in Brazil for an amount of BRL 482 million.

- On December 20, 2018, the subsidiary Abeinsa Asset Management, S.L. formalized the sale of its interest in the company named Cogeneración Villaricos, S.A. to Neoelectra SC Fuente de Piedra Gestión, S.L.U., with a sale price of €5.2 million.

- On the other hand, on February 18, 2018 the Company signed an agreement to sell its stake (56%) in BDDG, the company that owns the Company's water desalination plant in Accra (Ghana), with AquaVenture Holdings, a leader in Water-as-a-ServiceTM (WAASTM) solutions.

  The plant, which uses reverse osmosis technology and has been in operation since 2015, has a production capacity of approximately 60,000 m3/day of water, sufficient to provide water to around 500,000 inhabitants in Accra and its surroundings. The desalinated water is supplied to Ghana Water Company Limited (GWCL, Ghana's national water company). This divestment has a price of USD 20 million approximately, is subject to potential adjustments at closure.

  This operation is expected to be fully completed during the first semester of 2019, following the fulfillment of certain conditions which include the restructuring of the water sale contract with GWLC.

- On December 27, 2018, the Company entered into an agreement with Abengoa-Algoquin Global Energy Solutions ("AAGES") to transfer the ATN 3 transmission line in Peru, contingent upon the fulfillment of certain conditions that are standard in this type of agreements, which include the approval by the Peruvian State.

- During 2017, there were not significant disposals with the exception of the sale of the bioethanol business in Europe and the Norte III combined cycle power plant as part of the Divestment plan established in the Updated Viability Plan, detailed as follows:

  - On March 16, 2017, Abengoa Bioenergía Inversiones, S.A. (the "Seller"), subsidiary of Abengoa, S.A., entered into a sale and purchase agreement (the "Agreement") with a company controlled by private equity fund Trilantic Europe (the "Purchaser"), which governs the sale of the bioethanol business of Abengoa in Europe through the transfer of shares of Abengoa Bioenergy France, S.A., Biocarburantes de Castilla y León, S.A., Bioetanol Galicia, S.A., Ecocarburantes Españoles, S.A. and Ecoagrícola, S.A. The sale and purchase agreement was made effective in June 1, 2017 once certain conditions precedent were fulfilled (among others, the approval of the transaction by the Spanish Anti-trust Authority).

The transaction amount (enterprise value) was €140 million, including debt and working capital assumed by the Purchaser and minority interests. The cash received amounted to €86 million, with an effect on the Abengoa's consolidated income statement of €20 million and recognized under "Profit for the Year from Discontinued Operations". In addition, there is an amount outstanding to be received (in a 5 to 10 year period) subject to certain conditions, of which €3 million were released in 2018. The total cash amount to be received could reach €111 million.

› On September 1, 2017, Abengoa has reached an agreement with the consortium formed by Macquarie Capital and Techint Engineering & Construction for the sale of the 907 MW combined cycle Norte III, in the state of Chihuahua (Mexico), signed with the Federal Electricity Commission (CFE) and retaining the same scope and price for the sale of the energy originally agreed upon Abengoa will maintain the execution of part of Norte III, corresponding to the water treatment plant.

The transaction had a positive net effect of €33 million on Abengoa's results (an income in the operating profit €66 million from the sale and a financial expense €33 million for the execution of the given corporate guarantees and the application of the alternative restructuring conditions).

› On the other hand, on May 24, 2017, Abengoa has reached an agreement with Prana Capital, the Infrastructure and Energy division of Artha Capital, a Mexican pension fund manager, in which the later will invest financial resources to complement the capital provided by Abengoa towards the concessional asset Zapotillo. This union has the goal of advancing the construction of this 139 km aqueduct which will supply potable water to more than one and a half million habitants in an efficient, sustainable and secure way, from the El Zapotillo dam to the towns of Los Altos de Jalisco and up to the city of León.

In particular, Abengoa and Prana have signed a binding alliance in which the fund would provide complementary capital for the development of the infrastructure; while Abengoa would continue to have 20% project ownership and shall remain responsible for the engineering and construction of this key project for the company. In addition to the completion of the works, Abengoa would also be responsible for the supply, operation, maintenance of the infrastructure for a period of 25 years.

The agreement was subject to the main parties of the project (Conagua, Banobras, Sapal, Abengoa and Prana) reaching an agreement as to the key milestones that had to be achieved to ensure the execution of the project.

As of August 25, 2017, the company Concesionaria Acueducto Zapotillo S.A. de CV communicated to the grantor the resignation without responsibility of the concession, beginning a period of negotiation between both parties to evaluate the possible scenarios contemplated in this situation for what it put on hold the agreement previously above-mentioned.

On November 27, 2018, the concessionary company Concesionaria Acueducto Zapotillo, S.A. de C.V (hereinafter, "CAZ") received a notification from the grantor whereby it accepted the refusal submitted on August 25, 2017 but rejected the right to do so without responsibility. On January 27, 2019, the concessionary company challenged said notification through contentious administrative proceeding, and on March 4, 2019 the Court ordered its precautionary suspension, making it void. This is, the effects of the administrative act whereby the Comisión Nacional del Agua (National Water Commission) accepted CAZ's refusal to the concession, but rejected their right to do so without responsibility as well as their right to receive the payments claimed, are definitely suspended until the litigation is resolved.

On March 14, 2019, Conagua filed an appeal against the court order that granted the definitive suspension. To this respect, CAZ has filed, in due time and as appropriate, the corresponding statements by law. Said appeal is pending resolution by the Federal Court of Administrative Justice' Specialized Chamber in Online Trials.

The potential impacts derived from everything previous have been considered in the valuation of the concessional asset once classified as assets held for sale (see Note 7).

## 6.3. Business combinations

During the years 2018 and 2017, there have not been further business combinations in the Group.

# Note 7.- Assets held for sale and discontinued operations

The asset disinvestment plan started at the end of 2014 Abengoa's Board of Directors, on September 23, 2015, aimed to reinforce its financial structure through the implementation of the plan through the sale or partial divestment, in case of external equity partners, of certain assets through a new plan that involves the divestment of those assets included in the initial plan which had not been sold at that date, as well as the new assets which were incorporated. Based on this disinvestment plan, other assets have been incorporated given the situation of the Company and the Updated Viability Plan approved by the Board of Directors last August 3, 2016, as well as the new 10-year Viability Plan approved by the Board of Directors at their meetings of December 10, 2018 and subsequently on January 21, 2019 (see Note 2.2) conforming the asset disinvestment plant of the company.

## 7.1. Assets in the asset disinvestment plan

The table below shows the included assets of such plan which at December 31, 2018 and 2017, were classified as assets held for sale in the Consolidated statement of financial position because of the compliance of all the stipulations and requirements of IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations":

| Asset | Details | Capacity | Net book value of asset 12.31.18 (2) |
|---|---|---|---|
| Solar Power Plant One (SPP1) (1) | Combine cycle in Algeria | 150 MW | 159,134 |
| Manaus Hospital (1) | Concession in Brazil | 300 beds / 10,000 persons | 112,346 |
| Xina Solar One (1) | Solar plant in South Africa | 100 MW | 87,787 |
| Tenés / Ghana / Chennai (1) | Desalination plants | 360,000 m3/day | 227,398 |
| Zapotillo | Drinking Water Pipeline in Mexico | 139 km | - |
| Abent 3T (A3T) and ACC4T (1) | Cogeneration plants in Mexico | 840 MW | 523,637 |
| ATN 3, S.A. (1) | Transmission line in Peru | 355 km | 80,269 |
| ATE XVI-XXIV (1) | Transmission lines in Brazil | 6,218 km | 222,608 |
| Bioethanol | Bioethanol plant in Brazil | 235 ML | 263,682 |
| San Antonio Water System | Drinking Water Pipeline in USA | 50,000 acres | 17,662 |
| Iniciativas Hidroelectricas, S.A. | Hidroelectric concession in Spain | 4,376 kw | 3,636 |
| Inapreu, S.A. | Court concession in Spain | - | 850 |

(1) Circumstances and events that have occurred outside the control of the company since last August 2015 (see Note 2.2) are delaying the disinvestment process. However, the intention of the Management continues to be the disposal of such companies as established in the 10-year Viability Plan approved by the Board of Directors (see Note 2.2).

(2) Net book value of asset includes Property plant and equipment, Fixed assets in projects and Investments in associates. Additionally, and in cases which it applies, accumulated impairments up to December 31, 2018 coinciding with their reasonable value. For further detail of the remaining assets and liabilities held for sale see note 7.3

| Asset | Details | Capacity | Net book value of asset 2017 (2) |
|---|---|---|---|
| Solar Power Plant One (SPP1) (1) | Combined cycle in Algeria | 150 MW | 160,648 |
| Manaus Hospital / Concecutex (1) | Concessions in Brazil and Mexico | 300 beds / 10.000 persons | 134,722 |
| Khi Solar One (1) | Solar plant in South Africa | 50 MW | 199,114 |
| Xina Solar One (1) | Solar plant in South Africa | 100 MW | 87,718 |
| Tenés / Ghana / Chennai (1) | Desalination plants | 360.000 m3/day | 259,493 |
| Abent 3T and ACC4T (1) | Cogeneration plants in Mexico | 840 MW | 399,997 |
| Atacama 2 (1) | Solar platform in Chile | 280 MW | 16,286 |
| ATN 3, S.A. (1) | Transmission line in Peru | 355 km | 68,888 |
| ATE IV-VIII, XVI-XXIV, Manaus and Norte Brasil (1) | Transmission lines in Brazil | 9.750 km | 1,338,272 |
| Bioethanol (1) | Bioethanol plants in Brazil | 235 ML | 241,482 |
| Atlantica Yield, Plc. | 41.47% share | - | 627,050 |
| Zapotillo | Drinking Water Pipeline | 139 km | - |

(1) Circumstances and events that have occurred outside the control of the company since August 2015 (see Note 2.1) are delaying the divestment process. However, the intention of the Management continues to be the disposal of these companies according to the Updated Viability Plan approved by the Shareholders' Meeting in August 2016.

(2) The net book value of the asset includes property, plant and equipment, fixed assets in projects and investments in associates. Additionally, and in the cases in which it applies, the impairments accumulated up to December 31, 2017 coinciding with the fair value detailed in Note 7.2. For the detail of the rest of assets and liabilities classified as held for sale (see Note 7.3).

## 7.2. Asset impairment analysis

a) Changes in the classification

In the 2018 period, Khi Solar One solar thermal power plant in South Africa ceased being classified under "Non-current assets and liabilities held for sale" as it no longer met the cases and requirements of IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" according to the deadlines established in the approved 10-Year Viability Plan for the divestment of said asset. In addition, the assets related to the solar power plants located in Chile (Atacama Solar Platform) have also ceased being classified under said item as they do not meet the IFRS 5 requirements based on the new approved 10-year Viability Plan, with no significant impact.

On the other hand, and based on the aforementioned 10-Year Viability Plan, the San Antonio Water System has been classified under "Non-current assets and liabilities held for sale" as it meets the cases and requirements set forth in IFRS 5.

b) Impairment on the assets

As of December 31, 2018, a positive net impact of assets classified as held for sale and discontinued operations for an amount of €38 million was recognized as a difference between their net book value and their fair value less costs to sell. The main positive impact corresponds to the agreement reached with suppliers for the sale of the main equipment, as well as the updates of the corresponding fair values of certain assets, as detailed in the following section.

c) Asset fair value analysis:

The main criteria that have been applied in the analysis of the held-for-sale assets' fair value is as follows:

› Zapotillo

The Zapotillo aqueduct concessional asset in Mexico has been recorded at its fair value less costs to sale, as this amount is lower than its carrying amount. Said fair value has been obtained from the expected recovery value following the current situation of the project, where Acueducto Zapotillo, S.A. de CV, the concessionaire, informed the grantor of the no-liability withdrawal from the concession, (see Note 6.2.b)).

There have not been substantial changes in the key hypotheses considered with respect to the hypotheses at the end of the 2017 period.

› Cogeneration plants

The assets linked to the generation plants in Mexico (Abent 3T and ACC4T) were recognized, at the closing of 2018, at fair value less the cost to sell, since this is less than the carrying value.

Its fair value was obtained from the recovery value expected after its sale, obtained from the measurement of the asset performed by an independent expert.

The main change in the key hypotheses considered with respect to the 2017 period has been the progress made on the negotiations within the sale process as well as the aforesaid measurement, which has entailed the recognition, at the end of the 2018 period, of an income for the reversal of an impairment loss amounting to €37 million.

In addition, the Group has recognized income for an amount of €36 million, derived from the agreement reached with suppliers for the cancellation of its debt, through the sale of main equipment units which were completely impaired.

› Ghana

The asset related to the desalination plant in Accra, Ghana, has been recorded at its fair value less costs to sale as this amount is lower than its carrying amount.

Its fair value was obtained from the recovery value expected after its sale, obtained from the proposal price received within the mentioned asset's sale process.

The main change in the key hypothesis considered with respect to the 2017 period has been the progress of the negotiations with the third party within the sale process and the corresponding proposal received.

The foregoing has resulted in the recognition, at the end of the 2018, of an impairment loss for €13 million.

› Bioethanol

The assets connected with the 1G bioethanol plants in Brazil have been recognized at fair value less the cost of sale, since this was less than the book value.

The calculation of fair value is based on the anticipated recovery value after the sale, considering the prices of the offers received in the process involving those assets, within the recovery plan considered in the judicial recovery procedure initiated in Brazil (see Note 2.2.1.1) for these Bioenergy assets.

There have not been substantial changes in the key hypothesis considered with respect to the hypothesis at the end of the 2017 period.

› Transmission lines in Brazil

The assets related to transmission lines in Brazil (lines under construction or "Greenfields") have been recognized at the closing of 2018 at fair value less the cost of sale, which is less than the book value.

The calculation of fair value is based on the expected recovery value after the assets were sold, considering the purchase prices offered for the operational assets and the settlement prices assigned in the sales plan considered within the Legal Recovery proceedings underway in Brazil for lines under construction (see Note 2.2.1.1).

There have not been substantial changes in the key hypothesis considered with respect to the hypothesis at the end of the 2017 period.

In relation to the transmission lines under operation ("Brownfields"), their sale has been improved during the 2018 period within the Legal Recovery framework in which said assets were involved. This has resulted in the derecognition of their net assets from Non-current assets and liabilities held for sale in the Consolidated Statement of Financial Position at the end of the period (see Note 6.2.b)).

› Solar Power Plant One (SPP1)

The Hassi R'Mel hybrid solar-gas plant, commissioned in 2011, has signed a 25-year PPA that accounts for most of the project's key variables. This plant's revenues are based on the signed PPA contract that establishes the sale price of electricity over the entire life of the plant. On the other hand, the operating and maintenance expenses are based on already signed contracts that overlap with the lifetime of the plant.

The recovery value has been obtained through a discounted cash flow analysis applying a weighted average cost of capital of 10.77%. No growth rate has been applied.

A sensitivity analysis has been carried out, especially in relation to Algeria's country risk premium, and hence, to the discount rate used. A 1% variation in the country risk premium or in the discount rate entails a €4 million impact in the valuation.

There have not been substantial changes in the key hypothesis with respect to those at the closing of 2017 period.

› Manaus Hospital

The Manaus Hospital in Brazil is a concession for 20 years in public-private partnership by which, after constructing and supplying the equipment for the building, the maintenance and management thereof will be performed throughout the life of the contract in exchange for a fee.

Manaus Hospital has been recorded at its fair value less costs to sale as this amount is lower that its carrying amount.

As the company that owns the Manaus Hospital is a subsidiary of Abengoa Construçao Brasil, which is under judicial recovery, it has been considered not to have a recoverable equity book value, as in the 2017 period.

› Xina Solar One

The solar thermal power plant in South Africa has signed a 20 years PPA that determines the majority of key variables of the project. Revenues are based on the PPA, which establishes the price of selling electricity during most of the plant lifetime. On the other hand, operational and maintenance expenses are based on already signed contracts which coincide with the plant lifetime.

Its fair value was obtained from the recovery value expected after its sale, obtained from the proposal prices received within the mentioned asset's sale process, which is higher than the carrying value at which it has been recognized.

› Tenés / Chennai

The Tenés and Chennai desalination plants located in Algeria and India have both signed PPAs for 25 years, which determine most of the key variables for each project. The revenues from these plants are based on the PPA contracts which establish the sale price of desalinated water throughout the life of the plants. On the other hand, the operation and maintenance expenses are based on already signed contracts that overlap with the plant lifetime.

Their fair values were obtained from the recovery value expected after their sale, obtained from the proposal prices received within the mentioned assets' sale process.

As concerns Tenés, the main change in the key hypotheses considered with respect to the 2017 period has been the progress of the negotiations with the third party within the sale process and the corresponding proposal received. At the end of the 2017 period, the fair values were obtained using the discounted cash flow method, applying a discount rate of 10.3% and without applying a growth rate.

This change in the key hypotheses considered has resulted in the recognition, at the end of the 2018, of an impairment loss for €20 million.

› ATN3

The ATN3 transmission line in Peru has been registered at its fair value less cost to sale due to its lower amount in books. Such fair value has been obtained given its expected recovery value in the offers received in the sale transaction process. reached with Abengoa-Algonquin Global Energy Solutions ("AGEES") in December 2018 (see Note 6.2.b)).

Said Agreement has not entailed substantial changes in the key hypotheses considered with respect to the hypotheses at the end of the 2017 period.

› San Antonio Water System

The San Antonio Water System potable water aqueduct is a concession for the water withdrawal and channeling project that was entered into through a water sale agreement (Water Transportation and Purchase Agreement) with the city of San Antonio, Texas (USA) for a 30-year period. The project is currently under construction and is expected to start operating in April 2020.

Its fair value was obtained from the recovery value expected after its sale, obtained from the proposal prices received within the mentioned asset's sale process, which is higher than the carrying value at which it has been recognized.

# 7.3. Detail of assets held for sale

At December 31, 2018 and December 31, 2017, the details of assets and liabilities classified under assets and liabilities held for sale in the consolidated statement of financial position are as follow:

| Item | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Property plant and equipment (*) | 8,222 | 532 |
| Fixed assets in projects (*) | 1,577,905 | 2,795,925 |
| Investments in associates (*) | 112,882 | 737,213 |
| Financial investments | 47,898 | 68,293 |
| Deferred tax assets and others | 32,134 | 63,786 |
| Current assets | 337,818 | 412,445 |
| Project debt | (858,745) | (1,656,941) |
| Corporate financing | (70,114) | (66,640) |
| Other non-current liabilities | (208,226) | (322,505) |
| Other current liabilities | (208,056) | (297,311) |
| **Total net assets and liabilities held for sale** | **771,718** | **1,734,797** |

(*) The Net book value of the asset is detailed in Note 7.1.

# 7.4. Details of discontinued operations

## a) Brazilian transmission lines

› At December 31, 2018 and 2017, the details of the companies which owned the concession assets of the Brazilian transmission lines which were restated under the heading of profit (loss) from discontinued operations on the income statement are as follows:

| Item | 2018 | 2017 |
|---|---|---|
| Revenue | 35,615 | 146,217 |
| Other operating income | 83,366 | 3,599 |
| Operating expenses | (131,987) | (207,293) |
| I. Operating profit | (13,006) | (57,477) |
| II. Financial expense, net | 410 | (468) |
| III. Share of profit/(loss) of associates carried under the equity method | - | 184 |
| IV. Profit before income tax | (12,596) | (57,761) |
| V. Income tax (expense)/benefit | - | (940) |
| VI. Profit for the period from continuing operations | (12,596) | (58,701) |
| VII. Profit attributable to minority interests | - | (476) |
| **VIII. Profit for the period attributable to the parent company** | **(12,596)** | **(59,177)** |

› Additionally, the details of the Cash flow statements of the companies that own the concession assets of the Brazilian transmission lines at December 31, 2018 and 2017 which were reclassified under the heading of discontinued operations are as follows:

| Item | 2018 | 2017 |
|---|---|---|
| Profit for the year from discontinued operations adjusted by non monetary items | - | 51,771 |
| Variations in working capital | 3,399 | 13,684 |
| Interest and income tax received / paid | (10,545) | (44,510) |
| **A. Net cash provided by operating activities** | **(7,146)** | **20,945** |
| **B. Net cash used in investing activities** | **80,743** | **-** |
| **C. Net cash provided by financing activities** | **(75,570)** | **-** |
| Net increase/(decrease) in cash and cash equivalents | (1,973) | 20,945 |
| Cash, cash equivalents and bank overdrafts at beginning of the year | 51,588 | 37,893 |
| Elimination of Cash and Cash Equivalents of Discontinued Companies that have been sold | (49,608) | - |
| Translation differences cash or cash equivalent | (3) | (7,250) |
| **Cash and cash equivalents at end of the year** | **4** | **51,588** |

## b) Bioenergía

› At December 31, 2018 and 2017, the details of the bioenergy business companies, considered as a business segment before the above mentioned dates, that was restated under the heading of profit (loss) from discontinued operations on the income statement are as follows:

| Item | 2018 | 2017 |
|---|---|---|
| Revenue | 133,476 | 170,306 |
| Other operating income | 67,527 | (71,889) |
| Operating expenses | (203,707) | (197,648) |
| I. Operating profit | (2,704) | (99,231) |
| II. Financial expense, net | (40,546) | (104,697) |
| III. Share of profit/(loss) of associates carried under the equity method | - | - |
| IV. Profit before income tax | (43,250) | (203,928) |
| V. Income tax (expense)/benefit | 2,815 | (33,188) |
| VI. Profit for the period from continuing operations | (40,435) | (237,116) |
| VII. Profit attributable to minority interests | - | - |
| VIII. Profit for the period attributable to the parent company | (40,435) | (237,116) |

› Additionally, the details of the Cash flow statements of the bioenergy business at December 31, 2018 and 2017, considered as a business segment before the above mentioned dates, which were reclassified under the heading of discontinued operations are as follows:

| Item | 2018 | 2017 |
|---|---|---|
| Profit for the year from discontinued operations adjusted by non monetary items | 19,069 | (167,767) |
| Variations in working capital | 9,473 | 7,237 |
| Interest and income tax received / paid | (1,916) | (1,374) |
| A. Net cash provided by operating activities | 26,626 | (161,904) |
| B. Net cash used in investing activities | (25,427) | (35,701) |
| C. Net cash provided by financing activities | (8,009) | (11,060) |
| Net increase/(decrease) in cash and cash equivalents | (6,810) | (208,665) |
| Cash, cash equivalents and bank overdrafts at beginning of the year | 15,926 | 226,979 |
| Translation differences cash or cash equivalent | (1,401) | (2,387) |
| Cash and cash equivalents at end of the year | 7,715 | 15,927 |

# Note 8.- Intangible assets

8.1. The detail of variations in 2018 of the main categories included in intangible assets is show as follows:

| Cost | Goodwill | Development assets | Other | Total |
|---|---|---|---|---|
| Total cost as of December 31, 2017 | 55,507 | 335,722 | 145,265 | 536,494 |
| Decreases | - | (3,967) | (4,061) | (8,028) |
| Translation differences | - | 702 | (52) | 650 |
| Change in consolidation | (8,493) | (3,223) | (3,679) | (15,395) |
| Reclassifications and other movements | - | 1,245 | - | 1,245 |
| Total cost as of December 31, 2018 | 47,014 | 330,479 | 137,473 | 514,966 |

| Accumulated Amortization and Impairment | Goodwill | Development assets | Other | Total |
|---|---|---|---|---|
| Total amort. as of December 31, 2017 | (55,507) | (335,722) | (81,691) | (472,920) |
| Additions (amortization) | - | (30) | (11,546) | (11,576) |
| Additions (impairment) | - | (337) | (4,506) | (4,843) |
| Decreases | - | 3,967 | 2,501 | 6,468 |
| Translation differences | - | (702) | 64 | (638) |
| Change in consolidation | 8,493 | 3,223 | 2,849 | 14,565 |
| Reclassifications and other movements | - | (878) | 1,501 | 623 |
| Total accum Amort. and Impairment as of December 31, 2018 | (47,014) | (330,479) | (90,828) | (468,321) |
| Net balance at December 31, 2018 | - | - | 46,645 | 46,645 |

The decrease in intangible assets during the 2018 period mainly corresponds to the annual amortization of the Group's SAP ERP software.

8.2. The detail of variations in 2017 of the main categories included in intangible assets is show as follows:

| Cost | Goodwill | Development assets | Other | Total |
|---|---|---|---|---|
| Total cost as of December 31, 2016 | 55,507 | 350,004 | 147,481 | 552,992 |
| Additions | - | 358 | - | 358 |
| Decreases | - | (12,522) | (1,720) | (14,242) |
| Translation differences | - | (2,118) | (496) | (2,614) |
| Total cost as of December 31, 2017 | 55,507 | 335,722 | 145,265 | 536,494 |

| Accumulated Amortization and Impairment | Goodwill | Development assets | Other | Total |
|---|---|---|---|---|
| Total amort. as of December 31, 2016 | (55,507) | (350,004) | (71,384) | (476,895) |
| Additions (amortization) | - | - | (10,588) | (10,588) |
| Disposals | - | 14,022 | - | 14,022 |
| Translation differences | - | 260 | 418 | 678 |
| Change in consolidation | - | - | 81 | 81 |
| Reclassifications | - | - | (218) | (218) |
| Total accum Amort. and Impairment as of December 31, 2017 | (55,507) | (335,722) | (81,691) | (472,920) |
| Net balance at December 31, 2017 | - | - | 63,574 | 63,574 |

8.3. There are no intangible assets with indefinite useful life other than goodwill. There are no intangible assets with restricted ownerships or that may be under pledge as liabilities guarantee.

# Note 9.- Property, plant and equipment

9.1. The table below shows the detail and movement on the different categories of Property, plant and equipment for 2018:

| Cost | Lands and buildings | Technical installations and machinery | Advances and fixed assets in progress | Other fixed assets | Total |
|---|---|---|---|---|---|
| Total balance as of December 31, 2017 | 259,894 | 128,235 | 2,366 | 58,864 | 449,359 |
| Additions | - | 611 | - | - | 611 |
| Decreases | (45,455) | (3,559) | - | (4,843) | (53,857) |
| Translation differences | 573 | (5,664) | (13) | (662) | (5,766) |
| Change in consolidation | (1,664) | (31,355) | (15) | (15,310) | (48,344) |
| Reclassifications | 20,480 | - | (1,937) | 1,937 | 20,480 |
| Total Balance as of December 31, 2018 | 233,828 | 88,268 | 401 | 39,986 | 362,483 |

| Accumulated Amortization and Impairment | Buildings | Technical installations and machinery | Advances and fixed assets in progress | Other fixed assets | Total |
|---|---|---|---|---|---|
| Total accum. deprec. as of December 31, 2017 | (146,015) | (75,404) | - | (56,530) | (277,949) |
| Additions (amortization) | (2,271) | (7,558) | - | (935) | (10,764) |
| Additions (impairment) | (1,331) | (643) | - | (1,810) | (3,784) |
| Decreases | 21,559 | 3,496 | - | 4,541 | 29,596 |
| Translation differences | (362) | 4,176 | - | 632 | 4,446 |
| Reclassifications | 1,058 | 30,723 | - | 15,310 | 47,091 |
| Reclassifications | 7,393 | (27,391) | - | 10,612 | (9,386) |
| Total accum. Amort. and Impairment as of December 31, 2018 | (119,969) | (72,601) | - | (28,180) | (220,750) |
| Net balance at December 31, 2018 | 113,859 | 15,667 | 401 | 11,806 | 141,733 |

The most significant variation that has occurred during the 2018 period mainly corresponds to the decrease caused by the sale of the Company's former headquarters.

9.2. The table below shows the detail and movement on the different categories of Property, plant and equipment for 2017:

| Cost | Lands and buildings | Technical installations and machinery | Advances and fixed assets in progress | Other fixed assets | Total |
|---|---|---|---|---|---|
| Total balance as of December 31, 2016 | 166,642 | 145,846 | 2,336 | 65,185 | 380,009 |
| Additions | 61 | 136 | 17 | 549 | 763 |
| Decreases | (32,265) | (7,726) | - | (8,307) | (48,298) |
| Translation differences | (3,400) | (10,712) | (6) | - | (14,118) |
| Reclassifications | 162,633 | 691 | 19 | 1,437 | 164,780 |
| Transfer to assets held for sale | (33,777) | - | - | - | (33,777) |
| Total Balance as of December 31, 2017 | 259,894 | 128,235 | 2,366 | 58,864 | 449,359 |

| Accumulated Amortization and Impairment | Buildings | Technical installations and machinery | Advances and fixed assets in progress | Other fixed assets | Total |
|---|---|---|---|---|---|
| Total accum. deprec. as of December 31, 2016 | (70,984) | (65,711) | - | (65,876) | (202,571) |
| Additions (amortization) | (4,490) | (4,396) | - | (2,760) | (11,646) |
| Additions (impairment) | - | (5,991) | - | (456) | (6,447) |
| Disposals and decreases | 8,706 | 4,798 | - | 3,982 | 17,486 |
| Translation differences | 1,008 | 3,412 | - | 1,064 | 5,484 |
| Reclassifications | (80,255) | (7,516) | - | 7,516 | (80,255) |
| Total accum. Amort. and Impairment as of December 31, 2017 | (146,015) | (75,404) | - | (56,530) | (277,949) |
| Net balance at December 31, 2017 | 113,879 | 52,831 | 2,366 | 2,334 | 171,410 |

The most significant variation in the 2017 period mainly corresponds to the decrease produced by the sale of the company Abentel Telecomunicaciones, the sale of the Inabensa Bharat factory in India and Abengoa Concessões Brasil Holding offices. In addition to the above, an increase has been registered due to the reclassification made to property, plant and equipment from fixed assets in projects with respect to Centro Tecnológico Palmas Altas.

Lastly, an impairment has been recognized in Other Fixed Assets not assigned to Abengoa's business due to the uncertainty in its future recovery given the current situation of the company.

9.3. Property, plant and equipment not assigned to operating activities at the year-end is not significant.

9.4. The companies' policy is to contract all insurance policies deemed necessary to ensure that all Property, plant and equipment is covered against possible risks that might affect it.

9.5. During the 2018 and 2017 periods there have been no interest costs capitalized included in Property, plant and equipment.

9.6. At the closing of 2018 and 2017, Property, Plant and Equipment include the following amounts where the group is a lessee under a finance lease:

| Item | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Capitalized finance-lease cost | 2,669 | 2,773 |
| Accumulated depreciation | (995) | (841) |
| Net carrying amount | 1,674 | 1,932 |

9.7. The cost of land included in the land and buildings subcategory amounted to €86,396 thousand at December 31, 2017 (€75,254 thousand in 2017).

9.8. The table below sets out the information related to those assets constructed by the Group during 2018 and 2017 classified under the heading Property, plant and equipment of the Consolidated Statement of Financial Position:

| Item | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Property, plant and equipment constructed by the Group (accumulated) | 24,473 | 47,276 |
| Revenue generated by property, plant and equipment constructed by the Group | 25 | 23,840 |
| Operating result of property, plant and equipment constructed by the Group | (228) | 9,814 |

9.9. The book value of Property, plant and equipment which is in any way restricted or pledged to guarantee liabilities is detailed in Note 23.3.

# Note 10.- Fixed assets in projects

As indicated in Note 2.7, there are several companies which engage in the development of projects including the design, construction, financing, operation and maintenance of owned assets or assets under concession-type agreements.

This Note provides a breakdown of fixed assets in projects as well as relevant information related to the assets mentioned before (excluding the detail of project debt which is disclosed in Note 19).

## 10.1. Concession assets in projects

a) The following table shows the changes of "Concession assets in projects" for 2018:

| Cost | Intangible assets | Financial assets | Total |
|---|---|---|---|
| Total as of December 31, 2017 | 1,356 | 157,747 | 159,103 |
| Additions | - | 23,725 | 23,725 |
| Decreases | (411) | (2,563) | (2,974) |
| Translation differences | (57) | (5,448) | (5,505) |
| Reclassifications and other movements | - | (14,150) | (14,150) |
| Transfer to assets held for sale | 365,264 | - | 365,264 |
| Total as of December 31, 2018 | 366,152 | 159,311 | 525,463 |

| Accumulated Amortization and Impairment | Intangible assets | Financial assets | Total |
|---|---|---|---|
| Total accum. amort. as of December 31, 2017 | (470) | - | (470) |
| Additions (amortization) | (2,513) | - | (2,513) |
| Translation differences | 2,311 | - | 2,311 |
| Transfer to assets held for sale | (180,850) | - | (180,850) |
| Total accum Amort. and Impairment as of December 31, 2018 | (181,522) | - | (181,522) |
| Net balance at December 31, 2018 | 184,630 | 159,311 | 343,941 |

The most significant variation that has occurred during the 2018 period mainly corresponds to the classification of the Khi Solar One solar thermal concessional asset in South Africa as it no longer met the cases and requirements of IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" (see Note 7.2).

In addition, the increase derived from the progress of a water desalination plant concession project in Agadir (Morocco) should be highlighted.

b) The following table shows the evolution in each category of "Concession assets in projects" for the year 2017:

| Cost | Intangible assets | Financial assets | Total |
|---|---|---|---|
| Total as of December 31, 2016 | 10,243 | 313,747 | 323,990 |
| Additions | - | 50,176 | 50,176 |
| Decreases | - | (4,685) | (4,685) |
| Translation differences | (21) | (12,747) | (12,768) |
| Reclassifications | (8,866) | 7,261 | (1,605) |
| Transfer to assets held for sale | - | (196,005) | (196,005) |
| Total as of December 31, 2017 | 1,356 | 157,747 | 159,103 |

| Accumulated Amortization and Impairment | Intangible assets | Financial assets | Total |
|---|---|---|---|
| Total accum. amort. as of December 31, 2016 | (19,952) | - | (19,952) |
| Additions (amortization) | (51) | - | (51) |
| Translation differences | 3 | - | 3 |
| Reclassifications | 1,605 | - | 1,605 |
| Transfer to assets held for sale | 17,925 | - | 17,925 |
| Total accum Amort. and Impairment as of December 31, 2017 | (470) | - | (470) |
| Net balance at December 31, 2017 | 886 | 157,747 | 158,633 |

The most significant variation during the twelve months period ended December 31, 2017, mainly corresponds as a consequence of the classification of the assets and liabilities related to of the Zapotillo aqueduct project in Mexico under the heading of non-current assets and liabilities, since all of the suppositions and requirements of IFRS 5 "non-current assets held for sale and discontinued operations" had been met.

Such decrease has been offset with an increase derived from the slight progress in Unidad Punta de Rieles concession.

During the 2018 and 2017 periods there have been no capitalized financing costs in project assets.

Appendix VII to these Consolidated financial statements includes certain information on project companies included within the scope of IFRIC 12, service concession agreements.

## 10.2. Other assets in projects

a) The table below shows the detail and movement in “Other assets in projects” for 2018:

| Cost | Land and buildings | Technical installations and machinery | Advances and fixed assets in progress | Other PP&E | Software and other intangibles | Total |
|---|---|---|---|---|---|---|
| Total as of December 31, 2017 | 3,487 | 3,455 | 2 | 1,745 | 99 | 8,788 |
| Additions | - | 1,100 | - | - | - | 1,100 |
| Decreases | - | (619) | (2) | (329) | - | (950) |
| Translation differences | (340) | 176 | - | 5 | - | (159) |
| Reclassifications | (3,147) | (24) | - | 24 | - | (3,147) |
| Transfer to assets held for sale | - | - | - | 4 | - | 4 |
| Total as of December 31, 2018 | - | 4,088 | - | 1,449 | 99 | 5,636 |

| Accumulated Amortization and Impairment | Buildings | Technical installations and machinery | Advances and fixed assets in progress | Other PP&E | Software and other intangibles | Total |
|---|---|---|---|---|---|---|
| Total accum. deprec. as of December 31, 2017 | (18) | (2,517) | - | (178) | (36) | (2,749) |
| Additions (amortization) | - | (480) | - | (23) | (10) | (513) |
| Decreases | - | 619 | - | 124 | - | 743 |
| Translation differences | 2 | (113) | - | (4) | - | (115) |
| Reclassifications | 16 | 15 | - | - | - | 31 |
| Transfer to assets held for sale | - | - | - | (4) | - | (4) |
| Total accum. Amort. and Impairment as of December 31, 2018 | - | (2,476) | - | (85) | (46) | (2,607) |
| Net balance at December 31, 2018 | - | 1,612 | - | 1,364 | 53 | 3,029 |

b) The table below shows the detail and movement in “Other assets in projects” for the year 2017:

| Cost | Land and buildings | Technical installations and machinery | Advances and fixed assets in progress | Other PP&E | Software and other intangibles | Total |
|---|---|---|---|---|---|---|
| Total as of December 31, 2016 | 166,879 | 11,942 | 18 | 3,386 | 716 | 182,941 |
| Additions | 30 | - | - | - | - | 30 |
| Decreases | - | (903) | - | (40) | (362) | (1,305) |
| Translation differences | (96) | (552) | - | (28) | - | (676) |
| Change in consolidation | (1,034) | (6,341) | 1 | (133) | - | (7,507) |
| Reclassifications | (162,292) | (691) | (17) | (1,440) | (255) | (164,695) |
| Total as of December 31, 2017 | 3,487 | 3,455 | 2 | 1,745 | 99 | 8,788 |

| Accumulated Amortization and Impairment | Buildings | Technical installations and machinery | Advances and fixed assets in progress | Other PP&E | Software and other intangibles | Total |
|---|---|---|---|---|---|---|
| Total accum. deprec. as of December 31, 2016 | (82,719) | (5,285) | - | (996) | (324) | (89,324) |
| Additions (amortization) | (10) | (49) | - | - | - | (59) |
| Additions (impairment) | - | - | - | - | 70 | 70 |
| Translation differences | - | 352 | - | 24 | - | 376 |
| Change in consolidation | 881 | 2,465 | - | 103 | - | 3,449 |
| Reclassifications | 81,830 | - | - | 691 | 218 | 82,739 |
| Total accum. Amort. and Impairment as of December 31, 2017 | (18) | (2,517) | - | (178) | (36) | (2,749) |
| Net balance at December 31, 2017 | 3,469 | 938 | 2 | 1,567 | 63 | 6,039 |

The most significant variation in the 2017 period mainly corresponds to the decrease produced by the reclassification of “Property, Plant and Equipment”, given the compliance with all ” of the property, plant and equipment related to Centro Tecnológico Palmas Altas (see Note 9.2), as well as to the decrease produced by the control lost on Iniciativas Hidroeléctricas de Aragón y Cataluña.

c) During the years 2018 and 2017 no financial costs were capitalized in project assets.

d) Fixed assets in projects whose ownership are restricted or pledged as collateral for liabilities (as described in Note 19 for project finance) are detailed in Note 23.3.

e) It is the policy of the Group to enter into a number of insurance policies to cover risks relating to property, plant and equipment.

f) For property, plant and equipment located over third party land, the company has estimated the dismantling costs of affected items, as well as the rehabilitation costs of the place where they are settled (see Note 22.1).

g) At the end of the year 2018 and 2017, there are no biological assets.

## 10.3. Assets constructed by the group

The table below sets out the information related to those assets constructed by the Group during the years 2018 and 2017 classified under the fixed assets in projects heading of the Consolidated Statement of Financial Position (concessions and other assets in projects):

| Item | 12.31.18 | 12.31.17 |
|---|---|---|
| Fixed assets in projects constructed by the Group (accumulated) | 345,288 | 164,672 |
| Revenue generated by fixed assets in project constructed by the Group | 54,815 | 67,943 |
| Operating result of fixed assets in project constructed by the Group | 55,590 | (13,188) |

# Note 11.- Investments accounted for using the equity method

11.1. The detail of the main categories included in Investments accounted for using the equity method as of December 31, 2018 and December 31, 2017 is as follows:

| Item | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Associates | 13,643 | 30,744 |
| Joint Ventures | 1,623 | 3,129 |
| Total Investments accounted for using the equity method | 15,266 | 33,873 |

The evolution in investments accounted by the equity method during 2018 and 2017:

| Investments accounted by the equity method | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Initial balance | 33,873 | 823,179 |
| Changes in consolidation | 1,828 | (5,793) |
| Reclassification to assets held for sale | (18,831) | (627,050) |
| Distribution of dividends | (668) | (1,304) |
| Impairments | - | (23,384) |
| Translation differences and Others | (132) | (90,344) |
| Share of (loss)/profit (*) | (804) | (41,431) |
| Final balance | 15,266 | 33,873 |

(*) Atlantica Yield, that had been held for sale, has been disposed of during the period and this has resulted in an additional positive impact of €108 million (see Note 6.2.b.)).

The most significant variations of investments in associates and joint ventures during 2018 correspond to classify the assets and liabilities related to San Antonio Water System, under the heading of non-current assets and liabilities, since all of the suppositions and requirements of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" had been met (see Note 7.2).

11.2. The table below contains the details of the main joint ventures and investments carried by the equity method at the end of the years 2018 and 2017:

| Company | Typology | % share | Book value | Equity | Assets | Revenues | Profit/(loss) 2018 |
|---|---|---|---|---|---|---|---|
| Rioglass Solar Holding and subsidiaries | Asoc. | 15.00 | 11,151 | 105,131 | 165,835 | 10,185 | (17,820) |
| Others | - | - | 4,115 | - | - | - | - |
| Total 2018 | | | 15,266 | 105,131 | 165,835 | 10,185 | (17,820) |

| Company | Typology | % share | Book value | Equity | Assets | Revenues | Profit/(loss) 2017 |
|---|---|---|---|---|---|---|---|
| Rioglass Solar Holding and subsidiaries | Asoc. | 15.00 | 11,083 | 120,810 | 183,073 | 117,220 | (3,885) |
| Others | - | - | 22,790 | - | - | - | - |
| Total 2017 | | | 33,873 | 120,810 | 183,073 | 117,220 | (3,885) |

11.3. The shareholding percentages in associates do not differ from the voting rights percentage on them.

There have practically been no changes in Other comprehensive income during the 2018 derived from investments in associates (€10,906 thousand at the end of the 2017 period).

11.4. At the closing of 2018, there is no significant shareholder interest as to break down its assets, liabilities and Profit and Loss Statement.

# Note 12.- Financial instruments by category

The Group's financial instruments are primarily deposits, clients and other receivables, derivatives and loans. Financial instruments by category (current and non-current), reconciled with the Consolidated Statement of Financial Position, are as follows:

| Category | Notes | Loans and receivables / payables | Non-hedging derivatives | Hedging derivatives | Available for sale financial assets | Balance as of 12.31.18 |
|---|---|---|---|---|---|---|
| Financial assets | 10.1 | 159,311 | - | - | - | 159,311 |
| Available-for-sale financial assets | 13 | - | - | - | 2,902 | 2,902 |
| Derivative financial instruments | 14 | - | 907 | 35 | - | 942 |
| Financial accounts receivables | 15 | 153,893 | - | - | - | 153,893 |
| Clients and other receivables | 15 | 602,815 | - | - | - | 602,815 |
| Cash and cash equivalents | 17 | 204,600 | - | - | - | 204,600 |
| Total Financial assets | | 1,120,619 | 907 | 35 | 2,902 | 1,124,463 |
| Project debt | 19 | 319,686 | - | - | - | 319,686 |
| Corporate financing | 20 | 4,407,149 | - | - | - | 4,407,149 |
| Trade and other current liabilities | 25 | 1,360,509 | - | - | - | 1,360,509 |
| Total Financial liabilities | | 6,087,344 | - | - | - | 6,087,344 |

| Category | Notes | Loans and receivables / payables | Non-hedging derivatives | Hedging derivatives | Available for sale financial assets | Balance as of 12.31.17 |
|---|---|---|---|---|---|---|
| Financial assets | 10.1 | 157,747 | - | - | - | 157,747 |
| Available-for-sale financial assets | 13 | - | - | - | 4,824 | 4,824 |
| Derivative financial instruments | 14 | - | 242 | 340 | - | 582 |
| Financial accounts receivables | 15 | 230,311 | - | - | - | 230,311 |
| Clients and other receivables | 15 | 964,777 | - | - | - | 964,777 |
| Cash and cash equivalents | 17 | 195,870 | - | - | - | 195,870 |
| Total Financial assets | | 1,548,705 | 242 | 340 | 4,824 | 1,554,111 |
| Project debt | 19 | 107,951 | - | - | - | 107,951 |
| Corporate financing | 20 | 3,643,759 | - | - | - | 3,643,759 |
| Trade and other current liabilities | 25 | 1,882,217 | - | - | - | 1,882,217 |
| Total Financial liabilities | | 5,633,927 | - | - | - | 5,633,927 |

The information on the financial instruments measured at fair value, is presented in accordance with the following:

- Level 1: assets or liabilities listed on active markets.
- Level 2: Measured on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as unquoted prices) or indirectly (i.e. derived from valuation models).
- Level 3: Measured on inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following is a breakdown of the Group's assets and liabilities measured at fair value as of December 31, 2018 and 2017 (except non-quoted equity instruments measured at cost in 2017 and contracts with components that cannot be reliably measured):

| Category | Level 1 | Level 2 | Level 3 | Balance as of 12.31.18 |
|---|---|---|---|---|
| Non-hedging derivatives | - | 907 | - | 907 |
| Hedging derivatives | - | 35 | - | 35 |
| Available-for-sale | - | - | 2,902 | 2,902 |
| Total | - | 942 | 2,902 | 3,844 |

| Category | Level 1 | Level 2 | Level 3 | Balance as of 12.31.17 |
|---|---|---|---|---|
| Non-hedging derivatives | - | 242 | - | 242 |
| Hedging derivatives | - | 340 | - | 340 |
| Available-for-sale | - | - | 4,824 | 4,824 |
| Total | - | 582 | 4,824 | 5,406 |

Level 2 corresponds to the finance derivative portfolio designated as cash flow hedges, within which the most significant type is the interest rate cap (see Note 14).

The "Non-hedging derivatives" classification includes the fair value of derivative financial instruments which, being derivatives that have been contracted for the purposes of covering market risk (interest rate, foreign currency and inventories), they do not meet all the requirements set forth by IFRS 9 (IAS 39 in 2017) to be designated as hedging instruments from an accounting perspective.

The following table shows the changes in the fair value of level 3 assets for the years 2018 and 2017:

| Movements | Amount |
|---|---|
| Beginning balance as of December 31, 2016 | 10,252 |
| Gain/Losses transferred to equity | 52 |
| Derecognitions | (5,480) |
| Total as of December 31, 2017 | 4,824 |
| Derecognitions | (1,922) |
| Total as of December 31, 2018 | 2,902 |

During the presented periods there have not been any significant reclassifications amongst the three levels presented above.

# Note 13.- Financial assets at fair value

13.1. The details and movements of financial assets at fair value for the 2018 and 2017 periods are as follows:

| Available for sale financial assets | Balance |
|---|---|
| At December 31, 2016 | 10,252 |
| Gain/Losses transferred to equity | 52 |
| Derecognitions | (5,480) |
| At December 31 , 2017 | 4,824 |
| Derecognitions | (1,922) |
| At December 31 , 2018 | 2,902 |
| Non-current portion | 1,143 |
| Current portion | 1,759 |

The most significant changes in the financial assets at fair value mainly correspond to the sale of diverse investment securities.

13.2. The following table shows entities which, in accordance with the current regulation, were not consolidated in the years 2018 and 2017 and in which the parent company's direct and indirect shareholding is higher than 5% and lower than 20%. The net carrying amount of these holdings is €1,520 thousand (€1,520 thousand in 2017).

| Non-current financial assets | 2018 % Holding | 2017 % Holding |
|---|---|---|
| Norpost | 10.00 | 10.00 |

| Current financial assets | 2018 % Holding | 2017 % Holding |
|---|---|---|
| OMEL (old Comeesa) | 5.31 | 5.31 |
| Chekin | 14.28 | 14.28 |
| Operador Mercado Ibérico (OMIP) | 5.00 | 5.00 |

13.3. All necessary notifications have been made to the companies in which the Group holds an interest of over 10%, as required under Article 155 of Spanish Corporate Law (Ley de Sociedades de Capital).

13.4. There are no circumstances which have a material impact on the financial assets on the Group's portfolio, such as litigations, pledges, etc.

13.5. There are no firm agreements in place regarding the sale or purchase of these investments which could be considered material in relation to the Group's Consolidated financial statements.

13.6. The amount of interest accrued but not yet collected is not significant.

13.7. There are no fixed-yield securities in arrears. The average rate of return on fixed-yield securities is in line with the market.

# Note 14.- Derivative financial instruments

14.1 The fair value of derivative financial instruments (see Note 12) as of December 31, 2018 and 2017 is as follows:

| | | 12.31.18 | | 12.31.17 | |
|---|---|---|---|---|---|
| Item | Note | Assets | Liabilities | Assets | Liabilities |
| Interest rate derivatives - cash flow hedge | 14.3.a | 35 | - | 340 | - |
| Interest rate derivatives - non-hedge accounting | 14.3.c | 907 | - | 242 | - |
| Total | | 942 | - | 582 | - |
| Non-current part | | 939 | - | 481 | - |
| Current part | | 3 | - | 101 | - |

Information about the valuation techniques of derivative financial instruments is described in Notes 2.12 and 12.

The fair value amount transferred to the Consolidated income statement as of December 31, 2018 concerning the financial instruments derivatives designated as hedging instruments is a loss of €10,742 thousand (profit of €10,249 thousand as of December 31, 2017). (see Note 30.1).

The net amount of derivatives fair value transferred directly to the Consolidated income statement as of December 31, 2018 as a result of not meeting all the requirements of IAS 39 to be designated as accounting hedges represents a profit of €3,537 thousand (loss of €115 thousand as of December 31, 2017) (see Note 30.1).

Fair value of each of the categories of financial instruments presented in the table above is disclosed as the following sections. The net position of assets and liabilities for each line item of the summary table above is reconciled with the net amount of the fair values of caps and swaps for interest rates hedges.

## 14.2. Exchange rate derivatives

The terms “Collection hedges” and “Payment hedges” refer to foreign currency derivatives designated as instruments of future cash inflows and outflows associated to highly probable forecasted sales and purchase, respectively, denominated in a foreign currency.

### a) Cash flow hedges

By the end of the 2018 and 2017 periods, the Group does not have derivative financial instruments designated as exchange rate cash flow hedges.

The net amount of the fair value of exchange rate derivatives designated as cash flow hedges transferred to the Consolidated Income Statement in 2018 and 2017 has been null and €-199 thousand, respectively.

The ineffective amount recognized in the Consolidated income statement for the years 2018 and 2017 with respect to exchange rate derivatives designated as cash flow hedges amounts to null and €-370 thousand, respectively.

The after-tax gains/losses accumulated in equity from exchange rate derivatives designated as cash flow hedges at December 31, 2018 and 2017 has been null.

### b) Fair value hedges

The group does not have any exchange rate derivatives designated as fair value hedges at the closing of 2018 and 2017.

### c) Non-hedge accounting derivatives

By the end of the 2018 and 2017 periods, the Group does not hold any exchange rate non-hedge accounting derivatives instruments.

## 14.3. Interest rate hedges

As stated in Note 4 to these Consolidated financial statements, the general hedging policy for interest rates is to purchase call options in exchange of a premium to fix the maximum interest rate cost. Additionally, under certain circumstances, the company also uses floating to fixed interest rate swaps.

### a) Cash flow hedges

The table below shows a breakdown of the maturities of notional amounts of interest rate derivatives designated as cash flow hedges at the 2018 and 2017 year end:

| | 12.31.18 | | 12.31.17 | |
|---|---|---|---|---|
| Notionals | Cap / Collar | Swap | Cap / Collar | Swap |
| Up to 1 year | - | - | 1,998 | - |
| Between 1 and 2 years | 1,465 | - | 999 | - |
| Between 2 and 3 years | 73,573 | - | 77,045 | - |
| Subsequent years | - | - | - | - |
| Total | 75,038 | - | 80,042 | - |

The table below shows a breakdown of the fair values maturities of interest rate derivatives designated as cash flow hedges at the 2018 and 2017 year end:

| | 12.31.18 | | 12.31.17 | |
|---|---|---|---|---|
| Fair value | Cap / Collar | Swap | Cap / Collar | Swap |
| Up to 1 year | 3 | - | 3 | - |
| Between 1 and 2 years | 11 | - | 37 | - |
| Between 2 and 3 years | 21 | - | 300 | - |
| Subsequent years | - | - | - | - |
| Total | 35 | - | 340 | - |

The net amount of the fair value transferred to the Consolidated income statement of the financial year 2018 and 2017 due to interest rate derivative financial instruments designated as flows hedges amounted to €-10,742 thousand and €11,380 thousand respectively.

The ineffective portion recognized in the Consolidated income statement for the 2018 and 2017 periods with respect to exchange rate derivatives designated as cash flow hedges amounts to null and €5,284 thousand, respectively.

The after-tax profit/loss accumulated in equity at the end of the 2018 and 2017 periods from interest rate derivatives designated as cash flow hedges amounts to €-10,311 thousand and €1,378 thousand, respectively (see Note 18.3).

The net fair value of the time value component recognized in profit and loss for the 2018 and 2017 period from derivative financial instruments classified as cash flow hedges has been €-10,362 thousand and €10,496 thousand, respectively.

### b) Fair value hedges

The Group does not have any interest rate derivatives designated as fair value hedges at the end of the years 2018 and 2017.

### c) Non-hedges accounting derivatives

The table below shows a detail of the maturities of notional amounts of interest rate derivatives that do not meet the requirements to be designed as hedging instruments at the end of the years 2018 and 2017:

| | 12.31.18 | 12.31.17 |
|---|---|---|
| Notionals | Cap / Floor | Cap / Floor |
| Up to 1 year | 85,691 | 1,853,223 |
| Between 1 and 2 years | 206,994 | 380,532 |
| Between 2 and 3 years | 79,662 | 45,647 |
| Subsequent years | 65,241 | 107,715 |
| Total | 437,588 | 2,387,117 |

The table below shows a detail of the maturities of fair values of non-hedge accounting interest rate derivatives at the end of the years 2018 and 2017:

| | 12.31.18 | 12.31.17 |
|---|---|---|
| Fair value | Floor | Floor |
| Up to 1 year | - | 98 |
| Between 1 and 2 years | - | - |
| Between 2 and 3 years | 511 | 8 |
| Subsequent years | 396 | 136 |
| Total | 907 | 242 |

At the end of the years 2018 and 2017, the fair value net amount of interest rate derivatives charged directly to the Consolidated income statement, as a result of not meeting all the requirements of IAS 39 to be designated as hedges, represented an impact of €3,537 thousand and €-115 thousand, respectively (see Note 30.1).

# Note 15.- Clients and receivable accounts

## 15.1. Clients and other receivable accounts

a) The breakdown of Clients and Other Receivable Accounts as of December 31, 2018 and 2017 is as follows:

| Item | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Trade receivables | 314,160 | 528,403 |
| Unbilled revenues | 125,240 | 211,849 |
| Bad debt provisions | (84,910) | (70,326) |
| Tax receivables | 170,745 | 203,543 |
| Other debtors | 77,580 | 91,308 |
| Total | 602,815 | 964,777 |

The decrease in the Clients amount mainly corresponds to amounts collected from construction contracts of solar projects in Chile, mainly.

The balance of "Unbilled revenues" are generally billed within the three months following completion of the work being performed on the project. Nevertheless, given the highly-tailored characteristics of some construction contracts, some projects may take longer to be billed due to specific billing milestones in the contracts. These balances are supported by contracts signed with such customers and do not include any receivables relating to customer claims.

The balances with related parties at the closing of 2018 and 2017 are detailed in Note 33.2.

b) The fair value of Clients and Other Financial Receivable accounts does not differ significantly from its carrying value.

c) The list of Clients and Other Accounts Receivable according to foreign currency (equivalent in thousand euros) as of December 31, 2018 and 2017 are as follows:

| | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Algerian dinar | 1,974 | 563 |
| Dirhams (Morocco) | 7,459 | 15,848 |
| American dollar | 103,704 | 308,322 |
| New Peruvian sol | 11,397 | 14,282 |
| Argentinian peso | 6,076 | 7,941 |
| Chilean peso | 31,559 | 27,955 |
| Mexican peso | 17,721 | 21,172 |
| Uruguayan peso | 18,318 | 13,026 |
| South African rand | 12,824 | 9,251 |
| Brazilian real | 47,205 | 87,007 |
| Indian rupee | 4,059 | 3,724 |
| Saudi riyal | 19,409 | 29,297 |
| Polish zloty | 14,590 | 15,951 |
| Others | 47,597 | 73,033 |
| Total | 343,892 | 627,372 |

d) The following table shows the maturity detail of trade receivables as of December 31, 2018 and 2017:

| Maturity | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Up to 3 months | 157,458 | 287,181 |
| Between 3 and 6 months | 11,805 | 15,783 |
| Over 6 months | 144,897 | 225,439 |
| Total | 314,160 | 528,403 |

e) The credit quality of outstanding Trade receivables, that are neither past due nor impaired, may be assessed under the following categories

| Categories | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Trade receivables subject to non-recourse factoring by the bank | 46,771 | 125,539 |
| Trade receivables subject to recourse factoring by the bank | 2,294 | 9,428 |
| Trade receivables covered by credit insurance | 1,584 | 1,519 |
| Trade receivables in cash or by transfer | 153,361 | 223,396 |
| Trade receivables UTE/Public Entities/Other accounts | 110,150 | 168,521 |
| Total trade receivables | 314,160 | 528,403 |

f) The evolution in the bad debt provision for 2018 and 2017 is the following:

| Item | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Initial Balance | (70,326) | (73,737) |
| Provision for receivables impairment | (17,883) | (6,021) |
| Receivables written off during the year as uncollectible | - | 1,930 |
| Reversal of unused amounts | 10,500 | 4,248 |
| Change in consolidation | 252 | - |
| Translation differences and other movements | (7,453) | 3,254 |
| Total | (84,910) | (70,326) |

g) As noted in Note 4 of these Consolidated financial statements, the Company, to the extent possible given the current financial situation, enters into these factoring agreements with certain financial institution by selling the Company's credit rights in certain commercial contracts. The factoring agreements are entered into on a non-recourse basis, meaning that the financial institutions undertake the credit risk associated with the Company's customers. The Company is responsible for the existence and legitimacy of the credit rights being sold to the financial institutions.

At the end of the 2018 financial year, approximately €22 million (€16 million in 2017) were non-recourse factored.

The finance cost in the 2018 fiscal year derived from factoring operations amounted to €1 million (€16 million in 2017).

h) The breakdown of Tax receivables as of December 31, 2018 and 2017 is as follows:

| Item | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Income and other taxes receivable | 69,158 | 104,714 |
| Social Security debtors | 387 | 458 |
| VAT charged | 74,504 | 68,869 |
| Withholdings tax and income tax advance | 26,696 | 29,502 |
| Total tax receivables | 170,745 | 203,543 |

## 15.2. Receivable accounts

The following table shows a breakdown of financial accounts receivable as of December 31, 2018 and 2017:

| Concept | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Loans | 14,583 | 28,925 |
| Fixed-term deposits and down payments and lease deposits | 11,358 | 9,031 |
| Other financial assets | 3 | - |
| Total non-current portion | 25,944 | 37,956 |
| Loans | 46,505 | 5,946 |
| Fixed-term deposits and down payments and lease deposits | 68,026 | 185,962 |
| Other financial assets | 13,418 | 447 |
| Total current portion | 127,949 | 192,355 |

This heading includes the loans, deposits and other accounts receivable considered as non-derivative financial assets not listed in an active market, with a maturity period of less than twelve months (current assets) or exceeding that period (non-current assets).

The market value of these assets does not differ significantly from their carrying amount.

The most significant change in current financial investments for the 2018 period mainly corresponds to the release of the Escrow account obtained in the restructuring process of 2017 (New Money) for the construction of the A3T concessional asset, which has been released after the conditions precedent were satisfied. This effect has been partially offset by a credit right for USD 40 million, derived from the sale of 16.47% of Atlantica Yield, which has been temporarily be temporarily withheld until certain contingencies are released (see Note 6.2.b)).

Other financial accounts receivables include other amounts considered as non-derivative financial assets that does not quote in an active market and which are not classified in any other category. The changes in Receivable accounts for the 2018 period are due to the Punta de Rieles concessional asset's partial reclassification to short term after it started operating.

# Note 16.- Inventories

16.1. Inventories as of December 31, 2018 and December 31, 2017 were as follows:

| Item | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Goods for sale | 2,344 | 1,757 |
| Raw materials and other supplies | 27,972 | 27,439 |
| Work in progress and semi-finished products | 195 | 577 |
| Projects in progress | 8,618 | 6,844 |
| Finished products | - | 15,560 |
| Advance Payments to suppliers | 21,316 | 22,519 |
| Total | 60,445 | 74,696 |

Inventories for entities located outside Spain were €21,465 thousand (€34,592 thousand in 2017).

16.2. There are no restrictions on the availability of inventories, with the exception of guarantees provided for construction projects in the normal course of business, which are released as the contractual milestones of the project are achieved.

# Note 17.- Cash and cash equivalents

The following table sets out the detail of Cash and cash equivalents at December 31, 2018 and 2017:

| Item | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Cash at bank and on hand | 202,708 | 193,980 |
| Bank deposit | 1,892 | 1,890 |
| Total | 204,600 | 195,870 |

At the end of the year 2018 cash and cash equivalents pledged is included for various concepts, mainly insolvency proceedings and financing agreement guarantees for an amount of €142 million.

The following breakdown shows the main currencies in which cash and cash equivalent balances are denominated:

| | 12.31.18 | | 12.31.17 | |
|---|---|---|---|---|
| Currency | Domestic companies | Non-domestic companies | Domestic companies | Non-domestic companies |
| Euro | 43,357 | 14,892 | 43,905 | 16,140 |
| US dollar | 7,209 | 56,733 | 28,348 | 27,791 |
| Swiss franc | 3,556 | 8 | 4,091 | 9 |
| Peso (Chile) | - | 1,980 | 593 | 2,398 |
| Rupee (Indian) | 111 | 153 | 96 | 82 |
| Argentinian peso | - | 709 | 10 | 2,921 |
| Mexican peso | 4 | 2,993 | 3 | 18,645 |
| Peruvian sol | - | 2,724 | 198 | 4,240 |
| Algerian dinar | 4,782 | - | 6,542 | - |
| Brazilian real | - | 20,880 | - | 813 |
| South African rand | 6 | 9,288 | 18 | 6,326 |
| Shekel | - | 22 | - | 192 |
| Pound Sterling | 9,374 | - | 20,446 | - |
| Moroccan dirham | 10,618 | 6,934 | - | - |
| Others | 1,446 | 6,821 | 644 | 11,419 |
| Total | 80,463 | 124,137 | 104,894 | 90,976 |

# Note 18.- Net equity

## 18.1. Share capital

As of December 31, 2018, the share capital amounts to €35,865,862.17 corresponding to 18,836,119,300 shares completely subscribed and disbursed, divided into two distinct classes, as follows:

- 1,621,143,349 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").
- 17,214,975,951 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 affords its holder privileged economic rights established as stated in article 8 of the Company's by-laws ("Class B Shares" and, together with class A shares, "Shares with Voting Rights").

Abengoa's shares are represented by class A and class B, shares which are listed on the Madrid and Barcelona stock exchanges and on the Spanish Stock Exchange Electronic Trading System (Electronic Market). Class A shares have been listed since November 29, 1996 and class B shares since October 25, 2012. The Company presents mandatory financial information quarterly and semi-annually.

In accordance with notifications received by the company and in compliance with reporting requirements to communicate shareholding percentages (voting rights), shareholders with a significant holding as of December 31, 2018 are as follows:

| | Significant shares | |
|---|---|---|
| Shareholders | Direct Share % | Indirect Share % |
| Banco Santander, S.A. | 3.45 | - |
| Secretary of State for Trade - Ministry of industry, trade and tourism | 3.15 | - |

On September 30, 2012 the Extraordinary 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 by each owned Class A or B share. Such Extraordinary General Shareholders' Meeting approved a voluntary conversion right to change Class A shares with one euro nominal value (€0.02 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 decreased 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, with the agreement of the Extraordinary General Shareholders' Meeting of the company in October 10, 2015, a capital reduction decreasing the nominal value of the converted shares at the value of €0.0198 per share will take place, with unrestricted reserves credit.

In relation to the above, following the completion of the twentieth liquidity window on January 15, 2017, the Company carried out on January 23, 2017, a reduction of capital share by the amount of €1,507.89 converting 76,156 Class A shares into new Class B shares.

With respect to the foregoing, after closing the 21th conversion period dated April 15, 2016, the Company carried out on April 26, 2017, a reduction of capital share by the amount of €301,900.16 converting 15,247,483 Class A shares into new Class B shares.

Additionally, after closing the 22th conversion period dated July 15, 2017, the Company carried out on July 15, 2017, a reduction of capital share by the amount of €166,094.74 converting 8,388,623 Class A shares into new Class B shares.

Following the completion of the 23rd conversion period on October 15, 2017, the Company the carried out on October 24, 2017, a reduction of capital share by the amount of €98,152.56 converting 4,957,200 Class A shares into new Class B shares.

On the other hand, within the Group’s financial restructuring framework ended on March 31, 2017 and whose agreements were approved at the reconvened General Meeting of Shareholders on November 22, 2016, the Company carried out, on March 28, 2017, an increase of capital by offsetting credits for an amount of €34,822,150.402 through the issue of 1,577,943,825 Class A shares and 16,316,369,510 Class B shares for the purposes of offsetting the credits of the restructuring-participating companies that had opted for the application of the Alternative Restructuring Terms. Likewise, on that same date, the Company issued 83,049,675 warrants over Class A shares and 858,756,290 warrants over Class B shares that were granted to the shareholders from immediately prior the execution of the aforementioned capital increase for that period, if applicable, in compliance with their own terms.

Lastly, after the completion of the 24th conversion period on December 31, 2017, the company carried out, on January 12, 2018, a reduction of capital share by the amount of €222,885.53 converting 11,256,845 Class A shares into new Class B shares. As a consequence of this operation, the capital stock was set as shown at the beginning of this Note.

The distribution of the Parent Company’s profit and loss in the 2017 period approved by the General Meeting of Shareholders in June 25, 2018 has been charged to Loss from Previous Periods.

## 18.2. Parent company reserves

The following table shows the amounts and evolution of the Parent Company Reserves in the years 2018 and 2017:

| Item | Balance as of 12.31.17 | Distribution of 2017 profits | Capital increase/decrease | Other movements | Balance as of 12.31.18 |
|---|---|---|---|---|---|
| Share premium | 1,560,300 | - | - | - | 1,560,300 |
| Revaluation reserve | 3,679 | - | - | - | 3,679 |
| Other reserves of the parent company | (7,452,215) | 6,383,200 | 223 | (124) | (1,068,916) |
| Total | (5,888,236) | 6,383,200 | 223 | (124) | 495,063 |

| Item | Balance as of 12.31.16 | Distribution of 2016 profits | Capital increase/decrease | Other movements | Balance as of 12.31.17 |
|---|---|---|---|---|---|
| Share premium | 1,116,740 | - | 443,560 | - | 1,560,300 |
| Revaluation reserve | 3,679 | - | - | - | 3,679 |
| Other reserves of the parent company | (398,455) | (7,054,405) | 567 | 78 | (7,452,215) |
| Total | 721,964 | (7,054,405) | 444,127 | 78 | (5,888,236) |

The Legal Reserve is created in accordance with Article 274 the Spanish Corporate Law (Ley de Sociedades de Capital), which states that in all cases an amount of at least 10% of the earnings for the period will be allocated to this reserve until at least 20% of the share capital is achieved and maintained. The Legal Reserve may not be distributed and, if used to compensate losses in the event that there are no other reserves available to do so, it should be replenished from future profits.

On November 19, 2007, the company entered into a liquidity agreement on class A shares with Santander Investment Bolsa, S.V. Replacing this liquidity agreement, on January 8, 2013, the company entered into a liquidity agreement on class A shares with Santander Investment Bolsa, S.V. in compliance with the conditions set forth in CNMV Circular 3/2007 of December 19. On November 8, 2012, the company entered into a liquidity agreement on class B shares with Santander Investment Bolsa, S.V. in compliance with the conditions set forth in CNMV Circular 3/2007 of December 19. The Company cancelled this agreement on April 21, 2015. On September 28, 2015, operations were temporarily suspended under the liquidity agreement that in respect of its Class A shares was entered into by the Company with Santander Investment Bolsa, Sociedad de Valores, S.A.U. on January 10, 2013. On June 5, 2017 the Liquidity Agreement in respect of Class A shares was terminated because the Company did not have the intention to continue to operate with treasury shares.

As of December 31, 2018, treasury stock in its entirety amounted to 5,519,106 shares class A.

No operations for the acquisition or disposal of the Company's Class A and/or B Shares have been performed during the 2018 period. During the 2017 period, the number of treasury shares purchased amounted to 0 class A shares and 34,704 class B shares, while transferred treasury shares reached 143,374 and 34,704 Class A and Class B shares, respectively.

The proposed distribution of the year 2018 result and other reserves of the Parent Company to be proposed to the General Shareholder´s Meeting will be charged to retained earnings.

## 18.3. Other reserves

Other reserves include the impact of the valuation of hedge instruments (derivatives) and available for sale investments at the end of the year.

The following table shows the balances and movements of other reserves by item for the years 2018 and 2017:

| Item | Hedging reserves | Available-for-sale financial assets reserves | Total |
|---|---|---|---|
| Balance as of December 31, 2017 | 1,378 | (3,274) | (1,896) |
| - Gains/ (losses) on fair value for the year | 3,574 | - | 3,574 |
| - Transfer to the Consolidated Income Statement | (10,789) | - | (10,789) |
| - Tax effect | (4,474) | 3,519 | (955) |
| Balance as of December 31, 2018 | (10,311) | 245 | (10,066) |

| Item | Hedging reserves | Available-for-sale financial assets reserves | Total |
|---|---|---|---|
| Balance as of December 31, 2016 | (40,871) | (823) | (41,694) |
| - Gains/ (losses) on fair value for the year | 63,928 | 52 | 63,980 |
| - Transfer to the Consolidated Income Statement | (10,249) | (1,911) | (12,160) |
| - Tax effect | (11,430) | (592) | (12,022) |
| Balance as of December 31, 2017 | 1,378 | (3,274) | (1,896) |

For further information on hedging activities, see Note 14.

## 18.4. Accumulated currency translation differences

The amount of accumulated currency translation differences for fully and proportionally consolidated companies and associates at the end of the years 2018 and 2017 is as follows:

| Item | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Currency translation differences: | | |
| - Fully and proportionally consolidated companies | (1,180,636) | (1,202,956) |
| - Associates | 2,451 | 15,438 |
| Total | (1,178,185) | (1,187,518) |

The variations in the translation differences during the 2018 period are mainly due to the devaluation of the Chilean peso and the appreciation of the US dollar.

## 18.5. Retained earnings

The breakdown and movement of Retained earnings during the 2018 and 2017 fiscal years are as follows:

| Item | Balance as of 12.31.17 | Dist. of 2017 profit | 2018 profit | Other movements | Balance as of 12.31.18 |
|---|---|---|---|---|---|
| Reserves in full & proportionate consolidated entities | (93,874) | (2,032,750) | - | (10,706) | (2,137,330) |
| Reserves in equity method investments | (12,196) | (72,680) | - | (1,240) | (86,116) |
| Parent company dividends and reserves | - | 6,383,200 | - | (6,383,200) | - |
| Total reserves | (106,070) | 4,277,770 | - | (6,395,146) | (2,223,446) |
| Consolidated profits for the year | 4,284,018 | (4,284,018) | (1,487,669) | - | (1,487,669) |
| Profit attributable to non-controlling interest | (6,248) | 6,248 | (10,192) | - | (10,192) |
| Profit attributable to the parent company | 4,277,770 | (4,277,770) | (1,497,861) | - | (1,497,861) |
| Total retained earnings | 4,171,700 | - | (1,497,861) | (6,395,146) | (3,721,307) |

| Item | Balance as of 12.31.16 | Dist. of 2016 profit | 2017 profit | Other movements | Balance as of 12.31.17 |
|---|---|---|---|---|---|
| Reserves in full & proportionate consolidated entities | 340,987 | (501,971) | - | 67,110 | (93,874) |
| Reserves in equity method investments | 116,239 | (72,680) | - | (55,755) | (12,196) |
| Parent company dividends and reserves | - | (7,054,405) | - | 7,054,405 | - |
| Total reserves | 457,226 | (7,629,056) | - | 7,065,760 | (106,070) |
| Consolidated profits for the year | (7,615,037) | 7,615,037 | 4,284,018 | - | 4,284,018 |
| Profit attributable to non-controlling interest | (14,019) | 14,019 | (6,248) | - | (6,248) |
| Profit attributable to the parent company | (7,629,056) | 7,629,056 | 4,277,770 | - | 4,277,770 |
| Total retained earnings | (7,171,830) | - | 4,277,770 | 7,065,760 | 4,171,700 |

The Reserves in full and proportionate consolidated entities and equity method investments are as follows:

| | Balance as of 12.31.18 | | Balance as of 12.31.17 | |
|---|---|---|---|---|
| Business unit | IG / IP | MP | IG / IP | MP |
| Engineering and construction | (282,892) | (99,313) | 295,706 | (11,346) |
| Concession-type infrastructure | (1,854,438) | 13,197 | (389,580) | (850) |
| Total | (2,137,330) | (86,116) | (93,874) | (12,196) |

(*) Includes the discontinued activity corresponding to Bioenergy.

## 18.6. Non-controlling interest

This section contains the proportional portion of the Group companies´ equity consolidated by the global integration method and the portion in which other shareholders are participating.

The balances and movements for the year 2018 of Non-controlling interest are set out in the table below:

| Company | Balance as of 12.31.17 | Change in consolidation perimeter | Variations (1) | Profit and loss in 2018 | Balance as of 12.31.18 |
|---|---|---|---|---|---|
| Operating LAT Brasil | 347,964 | (347,964) | - | - | - |
| Solar Power Plant One | 20,185 | - | (2,752) | 3,610 | 21,043 |
| Société d'Eau Déssalée d'Agadir | 9,113 | - | 1,744 | 1,003 | 11,860 |
| Khi Solar One | 9,786 | - | (639) | (5,530) | 3,617 |
| Tenes Lylmyah | 52,646 | - | 1,174 | 10,440 | 64,260 |
| Zona Norte Engenharia | 22,796 | - | (3,268) | 2,601 | 22,129 |
| Others | (417) | 418 | 6,635 | (1,932) | 4,704 |
| Total | 462,073 | (347,546) | 2,894 | 10,192 | 127,613 |

(1) Variations caused by increases/decreases of capital share, mainly currency transactions and changes in the consolidation method applied.

At the end of the 2018 period, the decrease of non-controlling interest corresponds to the exit from the consolidation perimeter of the transmission lines under operation in Brazil after being sold (ATE XI, Manaus Transmissora de Energía, S.A. and ATE XIII, Norte Brasil Transmissora de Energía, S.A.) (see Note 6.2.b)).

The balances and movements for the year 2017 of Non-controlling interest are set out in the table below:

| Company | Balance as of 12.31.16 | Change in consolidation perimeter | Variations (1) | Profit and loss in 2017 | Balance as of 12.31.17 |
|---|---|---|---|---|---|
| Operating LAT Brasil | 455,493 | - | (106,697) | (832) | 347,964 |
| Solar Power Plant One | 22,185 | - | (5,680) | 3,680 | 20,185 |
| Abengoa Bioenergy France | 26,723 | (26,723) | - | - | - |
| Société d'Eau Déssalée d'Agadir | 9,554 | - | 123 | (564) | 9,113 |
| Khi Solar One | 17,396 | - | 1,754 | (9,364) | 9,786 |
| Tenes Lylmyah | - | - | 46,584 | 6,062 | 52,646 |
| Zona Norte Engenharia | - | - | 20,008 | 2,788 | 22,796 |
| Others | 23,818 | (393) | (27,488) | 3,646 | (417) |
| Total | 555,169 | (27,116) | (71,396) | 5,416 | 462,073 |

(1) Variations caused by increases/decreases of capital share, mainly currency transactions and changes in the consolidation method applied.

At the end of the 2017 period, the decrease in non-controlling interest corresponds to the increase of the negative translation differences mainly as a result of the depreciation of the Brazilian Real against the euro and to Abengoa Bioenergy France's exit from the consolidation group derived from the sale of the Bioenergy business in Europe (see note 6.2.b)).

The list of non-Group Companies / Entities that hold an interest of 10% or more in any company consolidated by the global integration method in the consolidation perimeter for 2018 it is shown in annex VIII.

In most cases, non-controlling interest have the ordinary right of protection, mainly those related to investments, divestments and financing.

# Note 19.- Project debt

The Consolidation perimeter includes interest in diverse companies whose purpose is the development of projects including the design, construction, financing, operation and maintenance of an infrastructure (usually a large-scale asset such as a power transmission line). These may be owned outright or under a concession arrangement for a specific period of time and whose financing sources are various non-recourse project financing schemes (Project Finance).

Said project finance (non-recourse financing) is generally used as a means of constructing an asset, using the assets and cash flows of the company or group of companies that will perform the activity associated with the project being financed as collateral. In most cases the assets and/or contracts are used as a guarantee for the repayment of the financing.

Compared to Corporate financing, the project finance has certain key benefits, which include a longer borrowing period due to the profile of the cash flows generated by the project and a clearly defined risk profile.

This financing usually enjoys the same contractor technical guarantees with regard to price, term and performance, as it occurs with project construction contracts for third parties outside the Group.

Despite having a commitment from a financial institution during the awarding phase of the project and since the financing is usually completed in the latter stages of a construction project –mainly because these projects require a significant amount of technical and legal documentation to be prepared and delivered that is specific to the project (licenses, authorizations, etc.) bridge loan needs to be available at the start of the construction period in order to begin construction activities as soon as possible and to be able to meet the deadlines specified in the concession agreements.

Obtaining this financing is considered as a temporary funding transaction and is equivalent to the advances that clients traditionally make during the different execution phases of a construction project or works.

Bridge loan has specific characteristics compared to traditional advances from clients. For example, the funds are usually advanced by a financial institution (usually for terms of less than 2-3 years), although, there are similarities in the implicit risk that mainly relates to the capacity of the formerly owner company of the project to construct it correctly in time and as required.

The specific funding requirements that usually accompany bridge financing agreements normally include the following:

› The funds that are drawn down as the project is executed can only be used for developing the project to construct the asset, and,

› The obligation to use the project finance to repay the bridge loan.

This means that conversion of the bridge loan in a long term project finance arrangement has a very high degree of security from the start of the project (which generally has a comfort letter or support from the institutions that are going to participate in the long-term financing).

In terms of guarantees, both the bridge loan and the project finance have the same technical guarantees from the contractor in relation to price, deadlines and performance.

The difference is that the bridge loan in most cases also has corporate guarantee from the project's sponsor in order to cover the possibility of a delay in the financial closing of project finance.

Both guarantees (contractor and sponsor) are intended to underwrite the future cash flows from the project in the event that technical risks give rise to variations in them (failure to comply with the construction schedule or with the deadlines for finalizing the project finance).

The details of project debt applied to projects, for both non-current and current liabilities, as at December 31, 2018 and December 31, 2017 is as follows:

| Project debt | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Project finance (Non-recourse project financing) | 319,686 | 107,951 |
| Total project debt | 319,686 | 107,951 |
| Non current | 95,015 | 11,197 |
| Current | 224,671 | 96,754 |

19.1. The balances and movements for the year 2018 of project debt are set out in the table below:

| Item | Project debt - long term | Project debt - short term | Total |
|---|---|---|---|
| Balance as of 12.31.17 | 11,197 | 96,754 | 107,951 |
| Increases | 3,960 | 14,143 | 18,103 |
| Decreases | - | (6,085) | (6,085) |
| Currency translation differences (*) | (2,915) | (3,668) | (6,583) |
| Changes in consolidation and reclassifications (*) | 82,773 | (83,214) | (441) |
| Transfer to liabilities held for sale (*) | - | 206,741 | 206,741 |
| Balance as of 12.31.18 | 95,015 | 224,671 | 319,686 |

(*) No monetary movements

The most significant variations are due to the reclassification of the Khi Solar One project financing from liabilities held for sale once it ceased to meet the cases and requirements of IFRS 5 (see Note 7.2).

Changes in consolidation perimeter and reclassifications mainly includes the reclassification of the financial debt of Punta de Rieles concessional asset in Uruguay to long term following the refinancing agreement reached by Teyma Uruguay, S.A. (Unidad Punta Rieles' main shareholder) with its main creditors (see Note 2.2.1.1. g)).

The balances and movements for the year 2017 of project debt are set out in the table below:

| Item | Project debt - long term | Project debt - short term | Total |
|---|---|---|---|
| Balance as of 12.31.16 | 12,563 | 2,002,941 | 2,015,504 |
| Increases | 11,631 | 30,218 | 41,849 |
| Decreases | (367) | (4,005) | (4,372) |
| Currency translation differences (*) | (764) | (9,205) | (9,969) |
| Changes in consolidation perimeter and reclassifications (*) | (4,579) | (145,865) | (150,444) |
| Transfer to liabilities held for sale (*) | (7,287) | (252) | (7,539) |
| Reclassification for enforceable financing (*) | - | (1,777,078) | (1,777,078) |
| Balance as of 12.31.17 | 11,197 | 96,754 | 107,951 |

(*) No monetary movements

At the closing of 2017, the total amount of project finance has decreased mainly by the debt write-offs made in financing of projects (see Note 2.2.1.2) in the financial restructuring process (bridge loans with corporate guarantee).

19.2. Within the assets on the Consolidated Statement of Financial Position and under the Cash and Cash equivalent and Financial Receivables headings, there are debt service reserve accounts in the amount of €0.5 million relating to project financing (€7 million in 2017).

19.3. Appendix IX of these Notes to the Consolidated financial statements contains a detail of the Project companies financed by project debt as of the end of 2018.

19.4. The Project Financing maturity schedule is as follows:

| 2019 | 2020 | 2021 | 2022 | 2023 | Subsequent | Total |
|---|---|---|---|---|---|---|
| 224,671 | 3,337 | 4,512 | 4,983 | 4,776 | 77,407 | 319,686 |

19.5. Current and non-current loans with credit entities include amounts in foreign currencies for the total of €319,686 thousand (€107,670 thousand in 2017). This variation is due to the reclassification of the Khi Solar One project financing from liabilities held for sale (see Note 19.1).

The equivalent in euros of the most significant foreign-currency-denominated debts held by the Group are as follows:

| | 12.31.18 | | 12.31.17 | |
|---|---|---|---|---|
| | Non-domestic companies | Domestic companies | Non-domestic companies | Domestic companies |
| Dirham (Morocco) | 13,860 | - | 11,530 | - |
| Dollar (USA) | 69,071 | - | 4,498 | - |
| Peso (Uruguay) | 97,340 | - | 91,642 | - |
| Rand (South Africa) | 139,415 | - | - | - |
| Total | 319,686 | - | 107,670 | - |

19.6. The amount of accrued and not paid financial expenses related to projects amounts to €307 thousand (€12 thousand as of December 31, 2016) and is included under current "Project debt".

# Note 20.- Corporate financing

As indicated in Note 4, corporate financing is used to finance the activities of the remaining companies, which are not financed under project debt and is guaranteed either by Abengoa, S.A. and, in some cases, jointly guaranteed by certain group subsidiaries, or by the Group Company receiving said Corporate financing.

20.1. The breakdown of the corporate financing as of December 31, 2018 and 2017 is as follows:

| Non-current | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Credit facilities with financial entities | 62,252 | 620,278 |
| Notes and bonds | 1,116 | 858,597 |
| Finance lease liabilities | 6,864 | 7,511 |
| Other loans and borrowings | 129,418 | 124,845 |
| Total non-current | 199,650 | 1,611,231 |

| Current | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Credit facilities with financial entities | 1,777,016 | 798,850 |
| Notes and bonds | 1,907,228 | 901,094 |
| Finance lease liabilities | 7,127 | 8,466 |
| Other loans and borrowings | 516,128 | 324,118 |
| Total current | 4,207,499 | 2,032,528 |
| Total corporate financing | 4,407,149 | 3,643,759 |

At December 31, 2018, Corporate financing has increased mainly due to the net effect of the increase of the Old Money debt at its redemption value (see note 2.2.3), partially offset with the partial amortization of New Money 1 as a result of the sale of 41.47% of Atlantica Yield (see Note 20.2 and 20.3).

The amounts and movements experienced during the 2018 and 2017 periods due to Corporate Financing are as follows:

| Item | Project debt - long term | Project debt - short term | Total |
|---|---|---|---|
| Balance as of 12.31.17 | 1,611,231 | 2,032,528 | 3,643,759 |
| Increases | 293,420 | 307,893 | 601,313 |
| Decreases | (33,292) | (882,042) | (915,334) |
| Currency translation differences (*) | 13,756 | 15,025 | 28,781 |
| Changes in consolidation perimeter and reclassifications (*) | (1,685,926) | 1,691,505 | 5,579 |
| Transfer to liabilities held for sale (*) | 461 | 1,042,590 | 1,043,051 |
| Balance as of 12.31.18 | 199,650 | 4,207,499 | 4,407,149 |

(*) Non-monetary movements

"Restructuring and Others" includes the adjustment of the Old Money and New Money debt value, partially offset by the Group's debt crystallization effect as well as by debt reliefs mainly derived from the restructuring of the financial debt of certain subsidiaries in Peru (see Note 2.2.1.1. g)):

| Item | Project debt - long term | Project debt - short term | Total |
|---|---|---|---|
| Balance as of 12.31.16 | 267,029 | 7,398,122 | 7,665,151 |
| Increases | - | 986,022 | 986,022 |
| Decreases | - | (859,244) | (859,244) |
| Currency translation differences (*) | (69,811) | (62,846) | (132,657) |
| Changes in consolidation perimeter and reclassifications (*) | - | 77,398 | 77,398 |
| Transfer to liabilities held for sale (*) | 1,414,013 | (5,506,924) | (4,092,911) |
| Balance as of 12.31.17 | 1,611,231 | 2,032,528 | 3,643,759 |

(*) Non-monetary movements

"Restructuring and Others" in the 2017 period includes the debt relief applied in the financial restructuring process over certain corporate financing, partially offset by the issuance of new debt conducted within said financial restructuring process (see Note 2.2.1.2).

## 20.2. Credit facilities with financial entities

a) The following table shows a list of credit facilities with financial entities:

| | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Abener Energía S.A. financing | 12,844 | 27,764 |
| Centro Tecnológico Palmas Altas financing | 76,946 | 77,398 |
| Syndicated financing loans | 82,436 | 40,000 |
| New Money 1 | 156,767 | 314,136 |
| New Money 2 | 228,635 | 191,224 |
| Old Money | 1,052,233 | 555,416 |
| Remaining loans | 229,407 | 213,190 |
| Total | 1,839,268 | 1,419,128 |
| Non-current | 62,252 | 620,278 |
| Current | 1,777,016 | 798,850 |

In relation to the Old Money, this increase is mainly due to the adjustment of the debt value after recognizing it at its redemption value under current liabilities, based on the default that arose from the execution of the Lock-Up Agreement (see Note 2.2.3). As concerns New Money 1 financing, this decrease mainly corresponds to the partial amortization as a result of the sale of 41.47% of Atlantica Yield.

The carrying amount of these debts does not significantly differ from their fair value, except for Old Money and New Money 2 debt which is measured at its redemption amount, as mentioned above. This has had an impact of an increased debt by €1,060 million with respect to its prior measurement at amortized cost using the effective interest rate method (see Note 2.2.3).

On May 30, Abengoa Abenewco 1 obtained new interim syndicated financing amounting to €25 million, which counts with the joint and several guarantees of Abengoa, S.A. and of certain Group subsidiaries.

Among the conditions of the financing of new money (New Money) several compliance obligations have been established, among which is the liquidity ratio (historical and future) and that as of December 31, 2018, the limit has been met minimum established (€20 million) being the "Historic Liquidity" of €22.8 million and the "Project Liquidity" of €21.1 million. Additionally, it establishes a limit for financial indebtedness in Corporate Finance for an amount of €219 million.

Among the financing conditions of the Old Money, certain obligations have been established in the financing contracts, among which that in the event that the total exceeds 2.7 billion as a result of the possible crystallization of contingent liabilities, there is a term of 6 months to restructure the aforementioned loans, through capital increases or additional withdrawals before incurring in an early maturity cause. During 2018 and up to the formulation date of these Consolidated condensed financial statements, the limit of 2.7 billion Old Money has not been exceeded, as capitalized interest has been excluded from the calculation of said ratio.

b) At December 31, 2018, the cancellation of corporate financing has been scheduled as follows:

| | 2019 | 2020 | 2021 | 2022 | 2023 | Subsequent years | Total |
|---|---|---|---|---|---|---|---|
| Abener Energía S.A. financing | 12,844 | - | - | - | - | - | 12,844 |
| Centro Tecnológico Palmas Altas financing | 76,946 | - | - | - | - | - | 76,946 |
| Syndicated financing loans | 82,435 | - | - | - | - | - | 82,435 |
| New Money 1 | 156,767 | - | - | - | - | - | 156,767 |
| New Money 2 (*) | 228,635 | - | - | - | - | - | 228,635 |
| Old Money (*) | 1,052,233 | - | - | - | - | - | 1,052,233 |
| Remaining loans | 167,156 | 17,025 | 12,530 | 8,251 | 18,807 | 5,639 | 229,408 |
| Total according to Contract | 1,777,016 | 17,025 | 12,530 | 8,251 | 18,807 | 5,639 | 1,839,268 |

(*) Debts posted in the short term due to the temporary situation of technical default described in Note 2.2.3. At the end of December 2018, its contractual maturity is as follows; in the case of Old Money 2022/2023 and for NM2 2021. Although both debts were in the process of restructuring at year-end (see Notes 2.2.2 y 2.2.3).

The exposure of the Group to variations interest rates and the dates at which prices are revised is specified in Note 4 on the management of financial risks.

c) The amount of current and non-current credit facilities with financial entities includes debts denominated in foreign currencies in the amount of €471,410 thousand (€667,176 thousand in 2017).

The most significant amounts of debt in foreign currencies with financial entities are as follows:

| | 12.31.18 | | 12.31.17 | |
|---|---|---|---|---|
| Currency | Non-domestic companies | Domestic companies | Non-domestic companies | Domestic companies |
| Dollar (USA) | 111,108 | 271,021 | 251,193 | 299,788 |
| Peso (Chile) | 9,222 | - | 20,426 | - |
| Peso (Mexico) | 12,707 | - | 17,775 | - |
| Real (Brazil) | 64,369 | - | 71,701 | - |
| Rial (Oman) | 2,983 | - | 6,293 | - |
| Total | 200,389 | 271,021 | 367,388 | 299,788 |

d) Interest expenses with financial credit entities accrued and not due reach to €8,462 thousand (€12,861 thousand in 2017) and is included under "Short-term borrowings".

e) Real estate pledged against mortgages corporate financing as of December 31, 2018 and 2017 is not significant, except for the CTPA financing (€78 million).

f) The average interest rates associated with the debt facilities reflect normal levels in each of the regions and areas in which the facility was agreed upon.

g) The average cost of total financing during 2018 was 9%, (9% in 2017).

## 20.3. Notes and bonds

a) The notional value of notes and bonds as of December 31, 2018 and 2017 is as follow:

| Item | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Ordinary notes Abengoa | 3,551 | 10,600 |
| Commercial paper Abengoa Mexico | - | 102,363 |
| New Money 1 | 210,770 | 758,781 |
| New Money 2 | 32,508 | 29,625 |
| Old Money | 1,661,515 | 858,322 |
| Total | 1,908,344 | 1,759,691 |
| Non Current | 1,116 | 858,597 |
| Current | 1,907,228 | 901,094 |

In relation to the Old Money, this increase is mainly due to the adjustment of the debt value after recognizing it at its redemption value under current liabilities, based on the default that arose from the execution of the Lock-Up Agreement (see Note 2.2.3). As concerns New Money 1 financing, this decrease mainly corresponds to the partial amortization as a result of the sale of 41.47% of Atlantica Yield.

The carrying amount of these debts does not significantly differ from their fair value, except for Old Money and New Money 2 debt which is measured at its redemption amount, as mentioned above. This has had an impact of an increased debt by €1,060 million with respect to its prior measurement at amortized cost using the effective interest rate method (see Note 2.2.3).

At December 31, 2018, the bonds' market value is 105% for New Money 1; 66% for New Money 2; between 12%-10% for the Senior Old Money and 1% for the Junior Old Money.

b) As of December 31, 2018, the cancellation of notes and bonds is expected to be carried out in accordance with the following schedule:

| Item | 2019 | 2020 | 2021 | 2022 | 2023 | Subsequent | Total |
|---|---|---|---|---|---|---|---|
| Ordinary notes Abengoa | 2,435 | - | - | - | - | 1,116 | 3,551 |
| New Money 1 | 210,770 | - | - | - | - | - | 210,770 |
| New Money 2 (*) | 32,508 | - | - | - | - | - | 32,508 |
| Old Money (*) | 1,661,515 | - | - | - | - | - | 1,661,515 |
| Total | 1,907,228 | - | - | - | - | 1,116 | 1,908,344 |

(*) Debts posted in the short term due to the temporary situation of technical default described in Note 2.2.3. At the end of December 2018, its contractual maturity is as follows; in the case of Old Money 2022/2023 and for NM2 2021. Although both debts were in the process of restructuring at year-end (see Notes 2.2.2 y 2.2.3).

c) At December 31, 2018 there is no significant interest payable related to notes and bonds accrued and not paid (€6,924 thousand in 2017).

## 20.4. Finance lease liabilities

Finance lease creditors as of the end of 2018 and 2017 were:

| Finance lease | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Present values of future payments for finance lease | 13,991 | 15,977 |
| Liabilities: minimum payments for finance lease: | | |
| Less than 1 year | 7,322 | 8,907 |
| From 1 to 5 years | 3,909 | 4,835 |
| More than 5 years | 3,684 | 4,945 |
| Net book value: | | |
| Technical installations and machinery | 5,506 | 7,286 |
| Information processing equipment | 214 | 535 |
| Other tangible assets | 15,590 | 18,839 |

## 20.5. Other loans and borrowings

The breakdown of current and not current other loans and borrowings at December 31, 2018 and December 31, 2017 is the following:

| Item | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Low interest loans | 11,556 | 6,832 |
| Non-recourse confirming due and unpaid | 15,055 | 38,132 |
| Execution of financial guarantees | 253,203 | 227,452 |
| Overdue and not paid derivatives | 21,140 | 35,410 |
| Mexico Bankruptcy Agreement | 216,022 | - |
| Drawn bank guarantees | 85,088 | 103,802 |
| Loans with public institutions and others | 43,482 | 37,335 |
| Total | 645,546 | 448,963 |

At the end of December 31, 2018, the main variation corresponds mainly to the reclassification of the restructured debt in Mexico to the heading of Other loans and borrowings based on the signed insolvency agreement.

In relation to this debt, the restructured debt (common credits) has been classified in the current liabilities of the Consolidated financial statement due to a payment default of which the company informed its financial creditors (see Note 2.2.1.1.e)).

“Execution of guarantees” primarily includes liabilities for guarantees undertaken by the parent company (“Parent Guarantee”), mostly related to the Bioenergy activity, the Transmission Lines in Brazil and Atlantica Yield subsidiaries, by virtue of the commitments undertaken by said subsidiary (see Note 2.31).

# Note 21.- Grants and other liabilities

Grants and Other Liabilities as of December 31, 2018 and 2017 are shown in the following table:

| Item | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Grants | 4,969 | 10,380 |
| Suppliers of non-current assets | 15,896 | 17,461 |
| Long-term trade payables | 92,425 | 24,434 |
| Grants and other non-current liabilities | 113,290 | 52,275 |

At December 31, 2018, the most significant increases in Grants and other liabilities mainly correspond to the debt held by the Group with other subsidiaries which have exited the consolidation perimeter (Simosa IT, primarily), as well as the debt that the Khi Solar One subsidiary, a company which has ceased being considered as held for sale once it no longer met the assumptions and requirements of IFRS 5 (see Note 7.2), holds with its non-controlling shareholders outside the Group.

# Note 22.- Provisions and contingences

## 22.1. Provisions for other liabilities and charge

The following table shows the movement of the heading of "Provisions for other liabilities and charges" for the years 2018 and 2017:

| Item | Taxes | Liabilities | Dismantling | Total |
|---|---|---|---|---|
| Balance as of 12.31.16 | 15,757 | 34,219 | 843 | 50,819 |
| Net increase/ (decrease) with impact in profit and loss | 112 | 3,617 | 130 | 3,859 |
| Translation differences | - | (812) | - | (812) |
| Balance as of 12.31.17 | 15,869 | 37,024 | 973 | 53,866 |
| Net increase/ (decrease) with impact in profit and loss | (3,162) | 1,400 | 374 | (1,388) |
| Translation differences | 4 | (615) | (395) | (1,006) |
| Reclassifications | - | 6,411 | - | 6,411 |
| Transfer to liabilities held for sale | - | - | 3,911 | 3,911 |
| Balance as of 12.31.18 | 12,711 | 44,220 | 4,863 | 61,794 |

### Provision for tax and legal contingencies

This provision represents the Group's best estimates in connection with risks relating to tax contingencies arising during the normal course of the Group's business, fundamentally in Latin America, when it is considered probable that there will be an outflow of resources in the medium term, (between 2 to 5 years), although the development of the contingencies and the new facts and circumstances that may arise overtime could change such estimated settlement period.

There are also provisions recorded by Group companies in relation with court rulings and unfavorable tax inspections that are under appeal but have not been resolved yet. For these tax disputes the Group considers that it is probable that there will be an outflow of resources in the medium term (between 2 and 5 years).

### Provision for liabilities

This provision includes the Group's best estimates of probable cash outflows in connection with litigation, arbitration and claims in progress in which the various group companies are defendants as a result of the activities they carry out and which it is expected that probably there may be a cash outflow in the medium term (between 2 to 5 years).

### Dismantling provision

This provision is intended to cover future expenditures related to the dismantlement of the concession-type infrastructures and it will be likely to be settled with an outflow of resources in the long term (over 5 years).

## 22.2. Contingent liabilities and assets

As of December 31, 2018 Abengoa and its Group of companies are involved in certain claims and litigations both against and in their favor. Such matters arise during the Group's normal course of business and represent the technical and economic claims that the contractual parties typically invoke.

We have briefly summarized below the most significant proceedings, which in the Management's opinion are not expected to have a material adverse effect in the Consolidated financial statements, with respect to the estimated and provisioned, if applicable, amounts individually or as a whole, or for which the future outcome cannot be reliably estimated.

- In May 2000, Abengoa Puerto Rico S.E., a subsidiary of Abengoa S.A, brought a lawsuit against the Electricity Power Authority (Autoridad de Energía Eléctrica, "AEE") of Puerto Rico and terminated the agreement that both parties had entered into in relation to an EPC project for the construction of an electricity power station in Puerto Rico, in which the AEE was the principal contractor. The referred lawsuit contained different claims such as, inter alia, withholding payments, defaulted invoices, loss of future profits damages and several other costs, which tentatively amounted to USD 40 million.

  In response to the lawsuit brought by Abengoa Puerto Rico, S.E., the AEE brought a counterclaim premised upon unlawful termination and consequential damages relating to the agreement with Abengoa Puerto Rico, S.E. and, at the same time, brought an additional lawsuit for the same amount against Abengoa and its insurer, American International Insurance Co. of Puerto Rico. The amount claimed by the AEE is approximately USD 450 million. Currently the lawsuit is under hearing phase, and the hearings were scheduled to be resumed in September 2018: and subsequently postponed to February 2019 and, again, to the end of March 2019. Said hearings have also been suspended. Following the last meetings, the scheduling of the hearings has been again postponed and, if held, the meetings could be set for the second or third week of July.

- Concerning an inspection during 2013 by the European Commission of Abengoa and the companies that were directly or indirectly under its control, with regard to their possible participation in anti-competitive agreements or actions allegedly aimed at manipulating the results of the valuation of the Platts daily closing price (CDD), and to deny access to one or more companies wishing to participate in the valuation process of the CDD price, on December 7, 2015, the European Commission notified and made public the initiation of a formal investigation procedure in relation to the said inspection (case "AT-40054 Oil and Biofuel Markets" concerning the alleged manipulation of the Platts index in relation to, among other companies, Abengoa, S.A. and its subsidiaries Abengoa Bioenergía, S.A. and Abengoa Bioenergy Trading Europe B.V) ). (the latter was wound up). Continuing the investigation until in July 26, 2018 the Commission notified of the Schedule of Charges, providing a deadline to respond to it which ended on October 22, 2018 and was ultimately extended to November 5, 2018 following a request for the extension thereof. The company has submitted, in due time and proper form, the statement of defense and is waiting for the oral hearing to be set. Article 23 section 2 of the Council Regulation (EC) No 1/2003 contains the maximum penalties applicable to this type of situations.

- On February 11, 2010, the temporary joint venture (Unión Temporal de Empresas) formed by Befesa Construcción y Tecnología Ambiental, S.L. and Construcciones Alpi, S.A. (the "UTE") took legal action against the Comunidad de Regantes de las Marismas del Guadalquivir (CRMG) regarding the project for the modernization of the Guadalquivir Marshes irrigation area (Proyecto de Modernización de la Zona Regable de las Marismas del Guadalquivir). The UTE asked for the following main claims: a) the declaration of the unlawful (i) termination of contract performed by the CRMG, (ii) application of penalties for delay; and (iii) other damages requested; and b) the termination of the agreement due to CRMG's breaches of contract, requesting a liquidation balance amounting to €32,454 thousand and additional €1,096 thousand based on different grounds. The CRMG answered the claim on November 4, 2010, requesting generically the dismissal of the UTE's claim.

  On December 12, 2014, Abengoa Agua, S.A. ( formerly Befesa Construcción y Tecnología Ambiental, S.L.) has been served with the claim brought by the CRMG against the UTE and its members (Abengoa Agua S.A. and Construcciones Alpi, S.A.), on the basis of the same dispute, project and factual issues of the aforementioned proceedings. The CRMG claims €120,353 thousand (approximately broken down as follows: €14,896 thousand for damages –works poorly executed, extra costs, alleged damages, etc. – €20,718 thousand for loss of profit and €84,682 thousand for penalties for delay). As at the date of these Consolidated financial statements the claim has been answered by the members of UTE.

  Both civil proceedings are now suspended by the existence of criminal implications, particularly because they were pending of the preliminary investigation number 487/2013, by "Juzgado de Instrucción nº16 Sevilla". In this last proceeding is has not been asked the guarantee of any amount to Abengoa Agua nor any person who works or has worked for her or any other entity related to Abengoa.

- In March 2015, Abener Energía, S.A. initiated arbitration proceedings against the client of a combined cycle power plant being built in Poland, Elektrocieplownia Stalowa Wola, S.A., seeking to extend the contractual deadline to complete the work due to force majeure as well as to claim additional amounts in excess of those stipulated in the contract for additional work and for damages and interests due to payment delays.

Also, in relation to this project, in January 2016, Elektrocieplownia Stalowa Wola, S.A. informed Abener Energía, S.A. that it was cancelling the contract for the construction of a combined cycle plant alleging delays in the delivery of the plant and a series of technical breaches in the performance of the work. Abener Energía, S.A. replied by rejecting the termination of the contract and the seizure of the guarantees, arguing that the delay in the delivery of the plant is not attributable to Abener Energía, S.A. since the delays were caused by events that are beyond its control, that there were no technical breaches on its part and that there were certain prior breaches by the customer.

In September 2016, Abener presented an extension of its claim (i) reinforcing the request for a time extension based on a new event attributable to the customer ("site risk"); (ii) requesting a declaration of illegal termination of the contract; and (iii) claiming amounts for unpaid work that was completed as well as damages sustained as a result of the termination of the contract. The amount of the arbitration claim filed by Abener Energía, S.A. for all items is approximately €105 million. In April 2017 Elektrocieplownia Stalowa Wola, S.A. presented his answer to the extension of the demand and in October 2017, Abener presented reply to mentioned answer.

In November 2017, the Arbitration Court agreed to grant the remedy requested by Abener, which required Elektrocieplownia Stalowa Wola, S.A to deposit the amount collected from Zurich, the insurance company, to enforce the guarantee bond (€30 million) in an Escrow account until the end of the arbitration procedure.  At present, the arbitrary procedure continues in its different phases. Both parties submitted their closing briefs on December 21, 2018. On January 25, the briefs were submitted with an assessment of the legal costs incurred by each party in the procedure and, unless the Tribunal requests additional information, the procedure would be ready for a decision to be made.

According to the Company Directors, there are sufficient technical (experts' reports) and contractual arguments to support that the delay in the construction of the plant was not attributable to the Company and, thus, the client's termination of the contract was not appropriate.

Additionally, on January 28, 2019, Abener submitted a request for new arbitration for PLN 147 million and €537 plus interest for the damage caused by the illegal enforcement of the bond provided by Abener under the construction contract for the Stalowa Wola Plant.

With pleadings dated March 29 and April 14, ECSW responded to Abener's request, opposing to it and requesting that the procedure was suspended until the main arbitration is resolved.

› In relation with the company Negocios Industriales y Comerciales, S.A (NICSA), the Markets and Competence National Comission (CNMC) initiated an inspection against the manufacturers and some companies of the industry (where NICSA and its parent company Abengoa, S.A. are established) due to indications of anticompetitive practices in price and commercial conditions fixing and sale and distribution market sharing in medium and low voltage cable laying. During January 2017, NICSA and Abengoa received the facts schedule, attributing an infraction of the Law of defense of the competition. In relation with NICSA, the CNMC has considered the inspected facts as anticompetitive and, in relation with Abengoa, has considered that had participated in strategic decisions by means of its position of control partner through a system of authorizations, concluding that the actions have been considered as infractions mutually. Nicsa has proceeded to pay the infraction for the amount of €354 thousand, notwithstanding the fact that it has filed a contentious-administrative appeal before the Spanish National High Court (Audiencia Nacional). Upon receiving the administrative record, the Company filed a claim in the contentious-administrative court on February 7, 2019.

› In January 2017, the Markets and Competence National Comission sent an information requirement to several rail industry companies, which Inabensa, S.A. is established in relation with possible anticompetitive actions in manufacturing, installation, supply, maintenance and electrification system improvement hiring. In May 2017, Inabensa and its parent company, Abengoa S.A., were notified of the commencement of a sanctioning procedure due to alleged restrictive practice of competition consisting on the distribution of public and private client proposals in the aforementioned activities, considering Abengoa S.A. Inabensa's controlling company, to which said conduct has been jointly and severally attributed. After the statement of facts (Pliego de Concreción de Hechos) was notified, the Company proceeded to submit its response. In March 22, 2019, a Decision from the Markets and Competence National Commission Board was received, which imposed two sanctions that together reached €11.6 million. The Company is working on the submission of the appeal before the Spanish National High Court.

› On December 20, 2017 Inabensa Danmark, under the contract for the execution of the Niels Bohr Building installations (HVAC, plumbing, etc.) for the University of Copenhagen, filed a preliminary arbitration claim brought up to the Building & Construction Arbitration Board, headquartered in Copenhagen, for a provisional amount of DKK 80 million plus value-added tax (€10.7 million plus value-added tax, approximately), against Bygningsstyrelsen (BYGST), the client, and requested evidence from a court-appointed expert to determine the impossibility to execute the project due to the deficiencies thereof. The object of this claim was the over cost in which Inabensa had incurred as a consequence of the unlawful termination of the contract and the project's technical deficiencies.

In turn, on December 21, 2017 the client filed a claim against Inabensa Danmark for a provisional amount of DKK 500 million plus value-added tax (€67.1million plus value-added tax, approximately). The object of this claim are the alleged damages due to Inabensa Danmark's presumed non-compliance. On April 17, 2018, Inabensa Danmark filed its final claim amounting to DKK 84 million plus value-added tax (€11.2 million approximately) and formally requested the commencement of the expert´s appraisal of the project deficiencies.

Subsequently, a judicial decision was issued agreeing to handle both procedures together, which caused the period for the Client to submit their answer to the claim to open again, being set for November 15, 2018. The client has submitted its response to the claim in due time and proper form Its counterclaim remains open, with reservation of the right to change the amount and without expecting said amount to be definitive until 2020, when the project is expected to be completed. Concurrently, the Client has started the procedure to request the enforcement of bonds, whose rejection has been presented by the company through a written statement The arbitration court has issued a decision whereby the suspension of the bond enforcement procedure is not accepted. On this regard, the Company has claimed that the case was pending the decision of the arbitration of the main case. As a consequence of the above, an independent expert has been appointed to present its opinion on whether the enforced bond must be paid or not. At last, the client, Inabensa and the insurance company have agreed not to enforce the bonds until an arbitration award is made.

› In November 2018, Zurich Insurance, PLC (hereinafter, Zurich) filed a claim in ordinary proceedings against Abener Energía, S.A. and Abengoa, S.A. claiming an amount of €38.5 million derived from a high risk surety bond. Additionally, Zurich has sought legal remedies consisting of the attachment of the two defendants' property and rights, which have been admitted in their entirety and thus the attachment of the defendants' property, bank accounts and tax returns has been ordered. Said admission has been appealed.  The defendants have concurrently submitted an answer to the claim in ordinary proceedings in due time and proper form. A negotiated agreement was reached in March 2019 with Zurich, whereby it was agreed to set-off the receivables that the latter held against the Group, basically through the issuance of Senior Old Money convertible notes within the Group's financial restructuring process. On the other hand, it is pending to submit a withdrawal notice pursuant to the terms of the agreements so that the process can be concluded. Until said issuance, the parties have agreed to present the suspension of the procedure.

› In January 2019, Export-Import Bank of the United States (hereinafter, US EXIM) filed a suit against Abengoa, S.A., Abener Energía, S.A., Teyma, Gestión de Contratos de Construcción e Ingeniería, S.A. (absorbed by Abener Energía) and Instalaciones Inabensa, S.A. claiming an amount of USD 75 million. Additionally, US Exim has sought legal remedies consisting of the pretrial attachment of the defendants' property and rights. The hearing of said legal remedies was held on February 22, 2019. Following the hearing, a Court Order accepting the requested legal remedies was received. These remedies will not come into force until US Exim presents the bond for €4 million requested by the Court. The answer to the  claim in ordinary proceedings has been presented in due time and proper form. An appeal has been filed against the sustained legal remedy. In March 2019, an agreement has been reached with US Exim whereby the parties have agreed, among other matters, to submit a joint written statement to suspend the legal remedy and to set-off the receivables held against the Group, basically through the issuance of Senior Old Money convertible notes within the Group's financial restructuring process. Said written statement was submitted on March 29, 2019. As concerns the ordinary procedure, its suspension has also been presented.

› Arbitration initiated by Dead Sea Works Ltd against Abener Energía S.A., Abener Ghenova Engineering, S.L. (at present, Abeinsa Engineering, S.L) and Abengoa, S.A. for an amount of €74 million for costs associated to finishing work in the plant, payments to subcontractors made by Dead Sea Works, liquidated damages, amortization of a loan and the enforcement of bonds The Company submitted an answer to the request for arbitration on January 30, 2019.

› In February 2019, a claim in ordinary proceedings submitted by Zurich Insurance PLC Niederlassung fur Deutschland (hereinafter, Zurich) against Instalaciones Inabensa, S.A., Abener Energía, S.A., y Teyma Gestión de Contratos e Ingeniería, Unión Temporal de Empresas Ley 18/1982, Norte III, Abener Energía, S.A., Abengoa, S.A. and Abener Energía, S.A. e Instalaciones Inabensa, S.A. Nuevo Pemex Tabasco II for an amount of €11 million was received. Abengoa's subsidiaries have submitted a plea to the jurisdiction in due time and in proper form. A negotiated agreement was reached in March 2019 with Zurich, whereby it was agreed to set-off the receivables that the latter held against the Group, basically through the issuance of Senior Old Money convertible notes within the Group's financial restructuring process. On the other hand, it is pending to submit a withdrawal notice pursuant to the terms of the agreements so that the process can be concluded. Until said issuance, the parties have agreed to present the suspension of the procedure.

- In April 2019, a claim in ordinary proceedings initiated by Zurich Insurance PLC Niederlassung fur Deutschland (hereinafter, Zurich) against Abengoa, S.A. for €17 million was received, albeit a negotiated agreement with Zurich had already been reached in 2019 whereby it was agreed to offset the credit rights that they held against the Group basically through the issuance of Senior Old Money convertible notes within the Group's financial restructuring process. On the other hand, it is pending the submission of withdrawal notice pursuant to the terms of the agreements so that the process can be concluded. Until said issuance, the parties have agreed to present the suspension of the procedure.

# Note 23.- Third-party guarantees and commitments

## 23.1. Third-party guarantees

- At the end of the year 2018, the Group deposited to third parties (clients, financial entities, Public Entities and other third parties), directly by the group or by the parent company to other Group companies, various Bank Bond and Surety Insurances as guarantee to certain commitments (Bid bonds, financing performance and others) amounted to €706,430 thousand (€833,543 thousand at December 31, 2017).

  In addition, the Group deposited to third parties (clients, financial entities, Public Entities and other third parties), directly by the group or by the parent company to other Group companies, various guarantees through the declarations of intention and documented commitments undertaken as guarantee of certain commitments (Bid Bonds, performance, financing and others) amounted to €2,526,046 thousand (€4,338,192 thousand at December 31, 2017).

The following table details the guarantees undertaken by the Company classified by commitment type at December 31, 2018:

| Typology | Guarantees/Surety Insurance | Guarantees | Total 12.31.2018 | Total 12.31.2017 |
|---|---|---|---|---|
| Bid Bond | 784 | 16,117 | 16,901 | 32,918 |
| Performance: | 784 | 16,117 | 16,901 | 32,918 |
| Materials supply | 5,189 | 240,745 | 245,934 | 688,428 |
| Advance payments | 31,801 | - | 31,801 | 42,100 |
| Execution (construction/collection/payments) | 645,136 | 2,266,469 | 2,911,605 | 4,341,517 |
| Quality | 3,319 | - | 3,319 | 25,749 |
| Operation and maintenance | 10,140 | 2,715 | 12,855 | 18,166 |
| Dismantling | 3,400 | - | 3,400 | 3,713 |
| Other | 6,661 | - | 6,661 | 19,144 |
| Subtotal | 706,430 | 2,526,046 | 3,232,476 | 5,171,735 |
| Group Company financing guarantees | - | 746,922 | 746,922 | 1,035,416 |
| Total | 706,430 | 3,272,968 | 3,979,398 | 6,207,151 |

Additionally, the breakdown includes the amounts of bank guarantees and guarantees related to companies classified as held for sale amounted to €23 and €95 million respectively (€93 million and €381 million respectively in 2017), being the amount associated to Bioenergy €66 million (€23 million bank guarantees and €43 million of guarantees) and the associated to transmission lines €52 million, entirely related to guarantees. These amounts included, at the end of the 2017 period, €65 million that corresponded to bank guarantees from companies sold during 2017, of which €5 million remain outstanding in the 2018 period.

The most significant variations in guarantees assumed with third parties related to the information presented on the 2017 Consolidated financial statements mainly correspond to the cancellation and maturity of guarantees for execution (construction / collections / payments) and supplies delivered by the Parent Company to a Group company due to the sale of transmission lines in operation in Brazil, Brownfield, (see Note 6.2).

## 23.2. Contractual obligations

The following table shows the breakdown of the third-party commitments and contractual obligations as of December 31, 2018 and 2017 (in thousands of euros):

| 2018 | Total | Up to one year | Between one and three years | Between three and five years | Subsequent |
|---|---|---|---|---|---|
| Loans with credit institutions | 1,839,268 | 1,777,016 | 29,555 | 27,058 | 5,639 |
| Notes and bonds | 1,908,344 | 1,907,228 | - | - | 1,116 |
| Liabilities due to financial leases | 13,991 | 7,127 | 2,071 | 1,367 | 3,426 |
| Other loans and borrowings | 645,546 | 516,128 | 35,242 | 30,824 | 63,352 |
| Obligations under operating Leases | 923 | 195 | 282 | 189 | 257 |
| Purchase commitments | 254,070 | 253,676 | 394 | - | - |
| Accrued interest estimate during the useful life of loans | 293,507 | 98,420 | 150,652 | 40,377 | 4,058 |

| 2017 | Total | Up to one year | Between one and three years | Between three and five years | Subsequent |
|---|---|---|---|---|---|
| Loans with credit institutions | 1,419,128 | 798,850 | 40,610 | 319,681 | 259,987 |
| Notes and bonds | 1,759,691 | 901,094 | - | 456,234 | 402,363 |
| Liabilities due to financial leases | 15,977 | 8,466 | 2,222 | 1,370 | 3,919 |
| Other loans and borrowings | 448,963 | 324,118 | 69,660 | 44,355 | 10,830 |
| Obligations under operating Leases | 55 | 54 | 1 | - | - |
| Purchase commitments | 765,003 | 530,571 | 234,282 | 150 | - |
| Accrued interest estimate during the useful life of loans | 928,150 | 125,556 | 319,065 | 194,008 | 289,521 |

(*) Liabilities accounted for in the short term due to the transitional status of technical non-compliance described in Note 2.2.3. At the end of December 2018, its contractual maturity is as follows: 2022/2023 for Old Money and 2021 for NM2.

## 23.3. Pledged Assets

› Related to the pledged assets book value at December 31, 2018, as guarantee of the total debt, the following table shows the breakdown:

| Book value | Balance as of 12.31.18(*) | Balance as of 12.31.17 (*) |
|---|---|---|
| Property, plants and equipment | 113,422 | 19,710 |
| Fixed assets in projects | 1,939,681 | 2,498,471 |
| Investments accounted for using the equity method | 88,637 | 627,050 |
| Clients and other receivable accounts, financial investments and cash and cash equivalents | 275,886 | 210,261 |
| Total | 2,417,626 | 3,355,492 |

(*) Includes the pledged assets related to assets held for sale and discontinued operations disclosed in Note 7 of the Consolidated Financial Statements as of December 31, 2018 and amounts to €1,699 million (€2,924 million in 2017)

It should be noted, for the avoidance of doubt, that when determining the book value of the pledged assets, the concept of "garantía real" provided by the Spanish law (applying by analogy to those assets that are pledged under other legislation) has been taken into account.

# Note 24.- Tax situation

## 24.1. Application of rules and tax groups in 2017

Abengoa, S.A. and other 78 and 180 consolidated subsidiaries (see Appendixes XI and XVI to these Consolidated financial statements) in 2018 and 2017 respectively, pay taxes under the rules for tax consolidation in Spain under the "Special Regime for Tax Consolidation" Number 2/97. The decrease in the tax group companies is mainly due to the exit of some companies from said group, primarily as a result of the dissolution of companies as a result of a merging process.

All the other Spanish and foreign companies included in the Consolidation group file income taxes according to the tax regulations in force in each country on an individual basis or under consolidation tax regulations. The fiscal policy of the company is based on compliance with the regulations in force in the countries where it operates.

In order to calculate the taxable income of the consolidated tax Group and the Consolidated entities individually, the accounting profit is adjusted for the temporary and permanent differences which may exist, recording the corresponding deferred tax assets and liabilities; likewise deferred tax assets and liabilities generally arise as a result of making the valuations of the individual entities' accounting criteria and principles consistent with those of the consolidated Group, which are those of the parent company. At the end of each period, current tax assets or liabilities are recognized for currently indemnifiable or taxes due.

Income tax payable is the result of applying the applicable tax rate in force to each tax-paying entity, in accordance with the tax laws in force in the territory and/or country in which the entity is registered. Additionally, tax deductions and credits are available to certain entities, primarily relating to inter-company trades and tax treaties between various countries to prevent double taxation.

## 24.2. Deferred tax assets and liabilities

At the closing of 2018 and 2017 the analysis of deferred tax assets and deferred tax liabilities is as follows:

| Item | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Tax credits for tax loss carryforwards | 19,493 | 42,817 |
| Tax credits for deductions pending application | | |
| Tax credits for export activities | 2,300 | 9,000 |
| Tax credits for R+D+i | 3,600 | 14,200 |
| Other deductions | 26,200 | 44,101 |
| Temporary differences | | |
| Provisions and Impairment | 28,715 | 59,347 |
| Derivatives financial instruments | 461 | 462 |
| Non-deductible expenses (Art. 20 and 22 LIS, Art. 14 TRLIS, Art. 7 Law 16/2012) | - | 155,700 |
| Consolidation adjustments, homogenization adjustments and other | 55,940 | 50,187 |
| Total deferred tax assets | 136,709 | 375,814 |

| Item | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Accelerated tax amortization | 1,149 | 1,378 |
| Unrealized exchange differences | 20,297 | 31,633 |
| Derivatives financial instruments | - | 12 |
| Restructuring | 54,912 | 432,684 |
| Consolidation adjustments, homogenization adjustments and other | 48,700 | 57,579 |
| Total deferred tax liabilities | 125,058 | 523,286 |

Tax credits for tax loss carryforwards come primarily from Spain and mainly correspond to the application of tax incentives as well as to losses registered during the last periods prior to the Group's global restructuring, caused by delays in the execution and decreased scopes given the Group's financial situation, which resulted into a reduction of income for said periods as well as an increase of expenses mainly due to the financial expenses and advisor-related costs. In addition, a decrease of contracts awarded during these last periods in Spain resulted in a lack of new income; hence, the structure was not reduced at the same pace.

On the other hand, tax credits for deductions pending application have been mainly generated in Spain.

Among these tax credits the larger amount corresponds to deduction on export activities (DAEX), which is calculated as a percentage over investments effectively, made for the acquisition of foreign companies or incorporation of foreign companies. This percentage, which was initially 25% was been gradually reduced since 2007 to reach 3% in 2010, disappearing in 2011.

In addition, efforts in research, development and innovation activities (R&D&i) that Abengoa has been carrying out during the last years have resulted in the generation of important tax deductions, some of which are recorded as deferred tax assets for an amount of €4 million as of December 31, 2018.

"Other deductions", which have been generated mainly in Spain, correspond primarily to deductions for double taxation (€23 million), and deductions for donations to non-profit organizations (€3 million).

In 2018, the Company has made the best estimates and projections based on the last 10-Year Updated Viability Plan approved by the Company (see Note 2.2.2) to assess the recoverability of the capitalized tax credits witting off those in which the recoverability is not expected. In such projections, the Company has taken into account the limitations imposed by Spanish tax regulations when offsetting tax loss carryforwards and applying deductions. Based on such recoverability projections, taking the Company's current situation into account and considering the specific weight that foreign activities carry in the estimations and projections of the Engineering and Construction business against the business activity in Spain, a charge of €215 million (€416 million in 2017) from the impairment of deferred tax assets in Spain has been recognized at the end of the 2018 period. This impairment amount includes the subsidiaries' individual deferred-tax assets, whose recovery is not expected to occur based on their projected individual tax base.

On the other hand, the Company has certain tax credits as of December 31, 2018 which have not been capitalized, as it determined that recoverability of such assets is not probable. These tax credits consist mainly of tax loss carryforwards related to our US subsidiaries amounting to €932 million (€932 million in 2017), with expiration dates in 2034 and 2036; to our Mexican subsidiaries amounting to €391 million maturing in 2025 and 2028 (€356 million in 2017); to our South African subsidiaries amounting to €193 million (€193 million in 2017); to our Chilean subsidiaries amounting €117 million (€117 million in 2017), to our Spanish subsidiaries amounting to €1,985 million (€1,067 million in 2017) and to our Brazilian subsidiaries amounting to €358 million (€350 million in 2017), with no expiration date in these last four jurisdictions. Likewise, it has tax credits for deductions in Spain for an amount of €422 million (€374 million in 2017) with expiration dates between 2021 and 2033.

The movements in deferred tax assets and liabilities during 2018 and 2017 were as follows:

| Deferred tax assets | Amount |
|---|---|
| As of December 31, 2016 | 615,226 |
| Increase / Decrease through other comprehensive income (equity) | (432,777) |
| Increase / Decrease through other comprehensive income (equity) for change in tax rate | (27,008) |
| Transfer to assets held for sale | 262,524 |
| Change in consolidation, various reclassifications and translation diff. | (42,151) |
| As of December 31, 2017 | 375,814 |
| Increase / Decrease through other comprehensive income (equity) | (244,193) |
| Increase / Decrease through other comprehensive income (equity) for change in tax rate | 107 |
| Transfer to assets held for sale | 1,638 |
| Change in consolidation, various reclassifications and translation diff. | 3,343 |
| As of December 31, 2018 | 136,709 |

| Deferred tax liabilities | Amount |
|---|---|
| As of December 31, 2016 | 172,856 |
| Increase / Decrease through the consolidated income statement | (29,031) |
| Increase / Decrease through the consolidated due to Restructuration agreement (*) | 404,121 |
| Increase / Decrease through other comprehensive income (equity) | (15,837) |
| Transfers to liabilities held for sale | 27,119 |
| Change in consolidation, various reclassifications and translation diff. | (35,942) |
| As of December 31, 2017 | 523,286 |
| Increase / Decrease through the consolidated income statement | 3,657 |
| Increase / Decrease through the consolidated due to Restructuration agreement (*) | (377,772) |
| Increase / Decrease through other comprehensive income (equity) | (2,909) |
| Transfers to liabilities held for sale | 5,601 |
| Change in consolidation, various reclassifications and translation diff. | (26,805) |
| As of December 31, 2018 | 125,058 |

(*) Not included restructuration impact due to discontinued activities, recognized in the Income Statement in line "Profit (loss) from discontinued operations, net of tax"

The most significant effect in the movement of deferred tax liabilities associated to the Restructuring is mainly due to the tax impact of the Old Money and New Money 2 debt valuation adjustment to its redemption amount for an amount of €265 million (see Note 2.2.3).

The detail of tax deferred expenses and incomes recognized at the end of the year 2018 and 2017 for each kind of temporary difference and each kind of tax loss carryforward not used is the following (expenses are shown in negative figures while income is shown in positive amounts):

| Item | 2018 | 2017 |
|---|---|---|
| Tax credits for tax loss carryforwards | (25,307) | (78,802) |
| Tax credits for deductions pending application | | |
| Tax credits for export activities | (6,700) | (23,732) |
| Tax credits for R+D+i | (10,600) | (14,580) |
| Other deductions | (17,900) | (6,900) |
| Temporary differences | | |
| Provisions | (33,120) | (53,599) |
| Derivatives financial instruments | (2,307) | 148 |
| Non-deductible expenses (Art. 20 y 22 LIS, Art. 14 TRLIS, Art. 7 Law 16/2012) | (155,700) | (177,437) |
| Consolidation adjustments, homogenization adjustments and other | 7,441 | (77,875) |
| Total deferred tax assets | (244,193) | (432,777) |

| Item | 2018 | 2017 |
|---|---|---|
| Business combination | (4,271) | 3,621 |
| Unrealized exchange differences | - | (1) |
| Restructuration | 377,772 | (404,121) |
| Consolidation adjustments, homogenization adjustments and other | 614 | 25,411 |
| Total deferred tax liabilities | 374,115 | (375,090) |

# Note 25.- Trade payables and other current liabilities

25.1. Trade payables and other current liabilities as of December 31, 2018 and December 31, 2017 are shown in the following table:

| Concept | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Trade payables for purchases of goods | 788,518 | 1,216,265 |
| Trade payables for services | 338,342 | 394,767 |
| Billings in excess and advance payments from clients | 124,586 | 150,379 |
| Remunerations payable to employees | 24,844 | 11,204 |
| Suppliers of intangible assets current | 2,212 | 3,089 |
| Other accounts payables | 82,007 | 106,513 |
| Total | 1,360,509 | 1,882,217 |

At December 31, 2018 the total amount of trade payables and other current payables due and unpaid (principal and interest) amounted to €533 million in 2018 (€583 million in 2017).

Balances with related parties at the closing of 2018 and 2017 are described in Note 33.2

25.2. Nominal values of Trade payables and other current liabilities are considered to approximate fair values and the effect of discounting them is not significant.

25.3. The table below shows the details of the non-recourse confirming carried out with external and group suppliers as at December 31, 2018 and December 31, 2017:

| Item | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Non-group amounts payable through Confirming | 41,242 | 63,625 |
| Group amounts payable through Confirming | 1,254 | 3,968 |
| Total | 42,496 | 67,593 |

Related to these amounts, there are no deposits and cash recorded under assets in the Consolidated Condensed Statement of Financial Position associated with payment of "non-recourse confirming" (€0.4 million as of December 31, 2017).

Finally, it has been reclassified as Corporate financing an amount of €15 million (€38 million in 2017) relating to due and not paid confirming transactions (principal and interests) and additionally, €23 million (€26 million in 2017) related to companies held for sale.

25.4. Details on supplier maturities are provided in the following table:

| Maturity | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Up to 3 months | 60,247 | 392,277 |
| Between 3 and 6 months | 45,038 | 59,454 |
| Over 6 months | 683,233 | 764,534 |
| Total | 788,518 | 1.216.265 |

## 25.5. Average period of payment to suppliers

In compliance with the duty to report the average period of payment to suppliers stated in Law 15/2010 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 554 days.

The following table details the information 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:

| Item | Days | |
|---|---|---|
| | 2018 | 2017 |
| Average payment period | 554 | 463 |
| Paid operations ratio | 455 | 245 |
| Pending payments ratio | 626 | 712 |

| Item | Amount | |
|---|---|---|
| | 2018 | 2017 |
| Payments | 253,947 | 601,732 |
| Pending payments | 346,557 | 526,436 |

As explained in Note 4, the Group is conducting an active policy in the management of providers, with special focus on the oldest balances, aiming to reach trade, financing or restructuring agreements for its debt that allow to accommodate the repayment of its obligations to the generation of future cash flow.

# Note 26.- Construction contracts

Further to the information set out in Note 2.25.b) relating to the accounting treatment of construction contracts, the table below includes aggregated information on outstanding construction contracts to which IFRS 15 was applied at the end of the years 2018 and 2017:

| Construction contracts | 2018 |
|---|---|
| Operating revenues | 948,337 |
| Billings in excess and advance payments received (*) | 120,781 |
| Payment withholdings (*) | 10,730 |
| Account receivables (*) | 456,455 |
| Account payables (*) | 914,856 |

| Construction contracts | 2017 |
|---|---|
| Operating revenues | 1,150,668 |
| Billings in excess and advance payments received (*) | 147,459 |
| Payment withholdings (*) | 13,920 |
| Account receivables (*) | 625,979 |
| Account payables (*) | 1,297,596 |

(*) Amounts valued on the basis of IFRS 9 (2018) and IAS 39 (2017).

The amount of unbilled revenue by the closing of the years 2018 and 2017 is €125,240 and €211,849 thousand, respectively.

The aggregated total amount of the costs incurred and the aggregated total profits recognized since origin for all the ongoing contracts at December 31, 2018 amount to €3,292,839 thousand and €476,828 thousand respectively (€5,131,117 thousand and €353,600 thousand in 2017).

# Note 27.- Revenues

The breakdown of Revenues for the years 2018 and 2017 is as follows:

| Item | 2018 | 2017 |
|---|---|---|
| Construction contracts | 948,337 | 1,150,668 |
| Other contracts with clients | 163,322 | 165,956 |
| Concession assets | 191,067 | 163,144 |
| Total revenue | 1,302,726 | 1,479,768 |

"Other contracts with customers" includes, primarily, revenue from project management and operation and maintenance (O&M) services rendered to third-party infrastructures.

# Note 28.- Other operating income and expenses

The table below shows the detail of Other Operating Income and Expenses for the years 2018 and 2017:

| Other operating income | 2018 | 2017 |
|---|---|---|
| Work performed by the entity and capitalized and other | 2,255 | 19,753 |
| Grants | 349 | 6,764 |
| Income from various services | 77,208 | 135,352 |
| Total | 79,812 | 161,869 |

| Other operating expenses | 2018 | 2017 |
|---|---|---|
| Research and development cost | - | 311 |
| Leases and fees | (39,755) | (43,040) |
| Repairs and maintenance | (32,393) | (26,508) |
| Independent professional services | (154,629) | (196,504) |
| Transportation | (5,626) | (9,512) |
| Supplies | (16,965) | (22,755) |
| Other external services | (38,858) | (39,782) |
| Taxes | (13,909) | (19,812) |
| Other minor management expenses | (36,010) | (40,450) |
| Total | (338,145) | (398,052) |

"Income from various services" includes operating income other than income from contracts with customers recognized under Revenues. In 2017, it included the positive balance derived from the Norte III sale.

The decrease in Other operating expenses in the 2018 period with respect to 2017 has been caused by lower overhead costs, as well as by a reduction of the expenses in services from independent professionals due to the lower expenses in advisors to the restructuring process as compared with the previous year.

# Note 29.- Employee benefit expenses

The breakdown of employee benefit expense for 2018 and 2017 is as follows:

| Item | 2018 | 2017 |
|---|---|---|
| Wages | (259,149) | (285,008) |
| Social security costs | (63,078) | (55,174) |
| Other employee benefits | (4,437) | (3,974) |
| Total | (326,664) | (344,156) |

## Variable remuneration plans

There is currently a long-term variable remuneration plan for managers.

1) Management Incentive Plan 2017 - 2020

Long-term retention and incentive plan approved by the Company's Board of Directors according to the Appointment and Remuneration Committee's proposal.

The Plan, which will have a large number of beneficiaries, approximately 125 directors at different levels including the Executive Chairman, aims to promote participation to meet the established goals. The multi-year variable compensation scheme requires the fulfillment of a required condition by which the ratio representing the bank debt generated by the business activity post-restructuring at the end of the last period of the plan shall be, with respect to the EBITDA in that same period, equal or lower than 3.

At the end of the 2018 period, the number of participants is a maximum of 125 beneficiaries, and the Plan's total amount has reached €17.5 million. At December 31, 2018, the amount recognized in the profit and loss statement has reached €3,9 million.

2) Long-term variable remuneration of executive directors 2017-2020

Directors, in their capacity as directors, will be entitled to receive additional remuneration, in a single payment, equal to half the amount of the aggregate remuneration due to each of them for the performance of the office of director and of positions therein and in Board committees (excluding remuneration for executive functions) from November 22, 2016 until December, 31 2020 (including directors who have served only during part of the time, provided they have done so for at least one year), if the members of the team who are beneficiaries of the long-term incentive plan for the period 2017-2020 approved by the Board of Directors at its meeting on May 24, 2017 earn the right to receive variable remuneration under the Plan, in relation to the multi-year variable remuneration of the Executive Chairman as a director with executive functions.

The maximum amount of this single payment, if accrued, will be €2.3 million in addition to the annual remuneration for the year 2020.

At December 31, 2018, the amount recognized in the profit and loss statement for this remuneration plan for directors has reached €0.6 million.

The Extraordinary General Shareholders' Meeting approved, on March 28, 2019, an amendment to the Remuneration Policy for directors applicable to the 2019 and 2020 periods (inclusive) by which said Policy will include, as multi-year variable remuneration of the board members for their performance of their executive duties and for the aforesaid periods, the amounts accrued under a new long-term incentive plan for 2019-2024 with the goal of engaging the executive board member (Executive Chairman) and the Group's key executive team (up to a maximum of 25 directors) with the creation of value for the Company through the observance of its strategic plan for said period For the purposes of the provisions set forth in the second paragraph of article 529 novodecies the Appointments and Remuneration Committee drafted a specific report on this regard.

The amounts accrued under said incentive plan will constitute multi-year variable remuneration for the Executive Chairman and remaining beneficiaries and will be payable in shares both of the Company (Class-A shares) and of its subsidiary, Abengoa Abenewco 1, S.A.U., in the event that the Plan requirements and conditions which are linked, among other matters, to the Abengoa and SOM (Senior Old Money) debt market price revalorization, are met. Should said requirements and conditions be met, the Executive Chairman will receive:

- For the part related to Abengoa, a maximum amount of 1,630,000 Class A shares (with the threshold limits and conditions explained above).

- For the tranche assigned to Abenewco1, a maximum amount of approximately 20% the accrued amount.

# Note 30.- Finance income and expenses

## 30.1. Finance income and expenses

The following table sets forth our Finance income and expenses for the years 2018 and 2017:

| Finance income | 2018 | 2017 |
|---|---|---|
| Interest income from loans and credits | 3,113 | 3,111 |
| Interest rates benefits derivatives: cash flow hedges (Note 14) | 519 | 18,111 |
| Interest rates benefits derivatives: non-hedging (Note 14) | 3,537 | - |
| Total | 7,169 | 21,222 |

| Finance expenses | 2018 | 2017 |
|---|---|---|
| Expenses due to interest: | | |
| - Loans from credit entities | (209,858) | (306,546) |
| - Other debts and bonds | (196,173) | (129,988) |
| Interest rates losses derivatives: cash flow hedges (Note 14) | (11,261) | (1,445) |
| Interest rates losses derivatives: non-hedging (Note 14) | - | (115) |
| Total | (417,292) | (438,094) |
| | | |
| Net financial loss | (410,123) | (416,872) |

Finance income has decreased at the end of the year 2018 compared to the previous year, mainly due to transfer to the gains/losses of the interest rate hedging derivatives accrued in the Financial Restructuring Agreement and to lower financial returns due to the reduction of fixed term deposits.

At the end of the year 2018, financial expenses have decreased in comparison with the same period of 2017, mainly due to lower expenses to interest has decreased the financial debt by the debt write-offs made in the Financial Restructuring Agreement (see Note 2.2.3) to the partial amortization of New Money 1 during the first and last quarters of the year.

Finance expenses of liabilities at amortized cost amounted to €1,467,573 thousand, included under “Finance expenses – Interest expense” of this Note 30.1 as well as under “Finance expenses due to restructuring” in Note 30.3.

## 30.2. Net exchange differences

The following table sets out the exchange rate differences for the years 2018 and 2017:

| Net exchange differences | 2018 | 2017 |
|---|---|---|
| Gains and losses from foreign exchange transactions | 13,822 | 50,775 |
| Gains and losses from foreign exchange contracts: cash flow hedges | - | (569) |
| Total | 13,822 | 50,206 |

The variation in net exchange differences are mainly due to the impact of the dollar’s appreciation against the euro on the Group’s financial debt nominated in US dollars.

## 30.3. Other net finance income and expenses

The following table sets out “Other net finance income and expenses” for the six months period ended 2018 and 2017:

| Other finance income | 2018 | 2017 |
|---|---|---|
| Profits from the sale of financial assets | 346 | 333 |
| Income on financial assets | 14,257 | 453 |
| Financial Income due to Restructuring (*) | 68,432 | 6,376,379 |
| Other finance income | 14,245 | 1,341 |
| Total | 97,280 | 6,378,506 |

| Other finance expenses | 2018 | 2017 |
|---|---|---|
| Loss from sale of financial assets | (124) | (53) |
| Outsourcing of payables | (491) | 37 |
| Financial Expenses due to Restructuration (*) | (1,061,542) | - |
| Other financial losses | (197,562) | (256,346) |
| Loss derived from commodity price derivatives: cash flow hedge | (16) | (155) |
| Total | (1,259,735) | (256,517) |
| | | |
| Other net finance income/expenses | (1,162,455) | 6,121,989 |

(*) Non-monetary impacts eliminated in the Consolidated cash flow statements under the heading "Perimeter variation and other non-monetary impacts".

The heading "Other financial income" corresponds in 2017 to the positive impact of the financial restructuring of the Group's financial debt (see Note 2.2.3).

"Other financial expenses" includes in 2018 the recognition of the Old Money and New Money 2 at its redemption value for an amount of €1,060 million under "Finance expenses due to restructuring" (see Note 2.2.2.) and, to a lesser degree, the impact caused by the discount of the assignment of rights with Atlantica Yield (see Note 33.2) to recovery of a debt and the guarantees enforced as a result of the Company's current situation.

The net amount of "Other net finance income and expenses" related to companies with Project finance is a loss of €400 thousand (an expense of €28,045 thousand at December 31, 2017).

## 30.4. Non-monetary items of derivative financial instruments

The table below provides a breakdown of the line item "Fair value gains on derivative financial instruments" included in the Consolidated Cash Flow Statement for the years 2018 and 2017:

| Fair value gains on derivative financial instruments | 2018 | 2017 |
|---|---|---|
| Change in fair value of the embedded derivative of convertible debt and shares options | - | 109 |
| Non-cash profit/(losses) from cash flow hedges | (10,742) | 4,914 |
| Non-cash profit/(losses) from derivatives - non-hedge accounting | 3,537 | (115) |
| Other non-cash gains/losses on derivative instruments | (16) | (155) |
| Fair value gains (losses) on derivative financial instruments (non cash items) | (7,221) | 4,753 |
| Cash gains (losses) on derivative financial instruments (monetary effect) | - | 11,182 |
| Total fair value gains / (loss) on derivative financial instruments (Notes 30.1, 30.2 and 30.3) | (7,221) | 15,935 |

# Note 31.- Income tax

31.1. The detail of tax rate for the period 2018 and 2017 is as follows:

| Item | 2018 | 2017 |
|---|---|---|
| Current tax | (261,506) | (16,859) |
| Deferred tax | 129,922 | (807,867) |
| Total income tax benefit/(expense) | (131,584) | (824,726) |

Corporate income tax has entailed an expense of €132 million at December 31, 2018, compared against the €825 million tax expense for the same period in 2017, mainly due to the corporate income tax expense recognized in the 2017 period resulting from the profit that arose upon the restructuring of the Group's financial debt (see Note 2.2.3.), as well as to the tax effect that the financial expense recognized after adjusting the Old Money and New Money debt at redemption value has entailed for the 2018 period (see Note 24.2). This effect has been offset by the impairment on certain tax credits recognized in the period based on the new 10-year Viability Plan that has been approved.

31.2. The reconciliation between the theoretical income tax resulting from applying statutory tax rate in Spain to income before income tax and the actual income tax expense recognized in the Consolidated Income Statement for the years 2018 and 2017 is as follows:

| Item | 2018 | 2017 |
|---|---|---|
| Consolidated profit before taxes | (1,303,054) | 5,404,563 |
| Regulatory tax rate | 25% | 25% |
| Corporate income tax at regulatory tax rate | 325,764 | (1,351,141) |
| Income tax of associates, net | 26,850 | (14,694) |
| Differences in foreign tax rates | (5,974) | 13,331 |
| Incentives, deductions and tax losses carryforwards | (293,045) | (511,942) |
| Restructuration | - | 1,130,948 |
| Other non-taxable income/(expense) | (185,179) | (91,228) |
| Corporate income tax | (131,584) | (824,726) |

Differences between theoretical tax and actual tax expense arise mainly from:

- Different tax rates abroad: Companies based in jurisdictions with statutory tax rates different from Spanish statutory tax rate.
- Incentives, deductions and negative operating losses: No tax credits activation of negative impacts as well as the impairment of tax credits during the year (see Note 24.2).
- Other non taxable income/expenses: The heading "Other non-taxable income/ (expense)" includes, among others, the regularization of the tax expense of the previous year, as well as certain permanents differences of non-deductible expenses recognized in the year.

# Note 32.- Earnings per share

## 32.1. Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the period.

| Item | 2018 | 2017 |
|---|---|---|
| (Losses) / Profit from continuing operations attributable to equity holders of the company | (1,444,830) | 4,579,044 |
| (Losses) / Profit from discontinuing operations attributable to equity holders of the company | (53,031) | (301,274) |
| **Average number of ordinary shares outstanding (thousands)** | **18,836,119** | **14,608,342** |
| (Losses) / Earnings per share from continuing operations (€ per share) | (0.077) | 0.31 |
| (Losses) / Earnings per share from discontinuing operations (€ per share) | (0.003) | (0.02) |
| **(Losses) / Earnings per share from profit for the year (€ per share)** | **(0.080)** | **0.29** |

## 32.2. Diluted earnings per share

To calculate the diluted earnings per share, the average weighted number of ordinary shares issued and outstanding is adjusted to reflect the conversion of all the potential diluting ordinary shares.

The potential diluting ordinary shares held by the group correspond to the warrants on Class A and Class B shares issued in the capital increase carried out on March 28, 2017 on the financial restructuring (see Note 2.2.3). The assumption is that all warrants are exercised and a calculation is made to determine the number of shares that may have been acquired at fair value based on the monetary value of the subscription rights of the warrants still to be exercised. The difference between the number of shares issued assuming the exercise of the warrants, and the number of shares calculated based on the above, is included in the calculation of the diluted earnings per share.

| Item | 2018 | 2017 |
|---|---|---|
| Profit for the year | | |
| - (Loss)/Profit from continuing operations attributable to equity holders of the company | (1,444,830) | 4,579,044 |
| - (Loss)/Profit from discontinuing operations attributable to equity holders of the company | (53,031) | (301,274) |
| **Profit for the year attributable to the parent company** | **(1,497,861)** | **4,277,770** |
| | | |
| Average weighted number of ordinary shares outstanding (thousands) | 18,836,119 | 14,608,342 |
| - Warrants adjustments (average weighted number of shares in outstanding since issue) | 867,885 | 880,770 |
| **Average weighted number of ordinary shares affecting the diluted earnings per share (thousands)** | **19,704,004** | **15,489,112** |
| | | |
| Diluted (losses) / earnings per share from continuing operations (€ per share) | (0.077) | 0.30 |
| Diluted (losses) / earnings per share from discontinuing operations (€ per share) | (0.003) | (0.02) |
| **Diluted (losses) / earnings per share to the profit for the year (€ per share)** | **(0.080)** | **0.28** |

As Note 2.2.2. explains, the restructuring process contemplates the issue of convertible instruments over the shares of the Abenewco 2 y Abenewco 2 Bis subsidiaries to Old Money creditors, and these are expected to have a dilutive effect when converted.

These instruments resulted to be anti-dilutive at the end of the 2018 period.

# Note 33.- Other information

## 33.1. Personal

› The average number of employees classified by category during the years 2018 and 2017 was:

| | Average number of employees in 2018 | | | Average number of employees in 2017 | | |
|---|---|---|---|---|---|---|
| Categories | Female | Male | % Total | Female | Male | % Total |
| Directors | 26 | 214 | 1.8 | 32 | 287 | 2.3 |
| Management | 155 | 696 | 6.3 | 217 | 831 | 7.5 |
| Engineers | 467 | 1,144 | 11.9 | 632 | 1,528 | 15.6 |
| Assistants and professionals | 388 | 678 | 7.9 | 543 | 1,347 | 13.6 |
| Operators | 587 | 9,081 | 71.7 | 526 | 7,886 | 60.6 |
| Interns | 19 | 37 | 0.4 | 25 | 28 | 0.4 |
| Total | 1,642 | 11,850 | 100.0 | 1,975 | 11,907 | 100.0 |

During the year 2018 the average number of employees is 20.3% in Spain (24% in 2017) and 79.7% abroad (76% in 2017).

The average number of employees during the year with disabilities above or equal to 33% is 38 (48 in 2017).

› The total number of people employees classified by category as of December 31, 2018 and 2017 is as follows:

| | 12.31.2018 | | | 12.31.2017 | | |
|---|---|---|---|---|---|---|
| Categories | Female | Male | % Total | Female | Male | % Total |
| Board of Directors | 1 | 6 | 0.1 | 1 | 6 | 0.0 |
| Directors | 25 | 192 | 1.6 | 27 | 242 | 2.2 |
| Management | 145 | 691 | 6.2 | 168 | 753 | 7.4 |
| Engineers | 455 | 1,056 | 11.3 | 508 | 1,349 | 14.9 |
| Assistants and professionals | 351 | 624 | 7.2 | 479 | 1,335 | 14.5 |
| Operators | 553 | 9,284 | 73.1 | 396 | 7,182 | 60.8 |
| Interns | 27 | 47 | 0.5 | 12 | 17 | 0.2 |
| Total | 1,557 | 11,900 | 100.0 | 1,591 | 10,884 | 100.0 |

The "Directors-Male" heading includes the members of the Group's Senior Management, which is composed of 6 people.

The 20.6% (22.5% in 2017) people are located in Spain while the remaining 79.4% (77.5% in 2017) are abroad.

## 33.2. Transactions with related parties

No dividends have been distributed to related parties during the year 2018 and 2017.

On March 31, 2017, the Restructuring Completion Date took place, leading to significant changes in the Company's shareholder structure (see Note 2.2.1.2).

In this respect, as of December 31,2018 and 2017 according to information received by the Company in compliance with the regulations with respect to shareholder percentages and according to information facilitated by related companies as well, the most significant shareholders are:

| | 2018 Significant shares | |
|---|---|---|
| Shareholders | Direct Share % | Indirect Share % |
| Banco Santander, S.A. | 3.45 | - |
| Secretary of State for Trade - Ministry of industry, trade and tourism | 3.15 | - |

| | 2017 Significant shares | |
|---|---|---|
| Shareholders | Direct Share % | Indirect Share % |
| Banco Popular Español, S.A. | 3,63 | - |
| Banco Santander, S.A. | 0,34 | 3,63 |

During 2018, the only transactions related to related parties were as follows (in millions of euros):

| | Exposures to related parties | | | |
|---|---|---|---|---|
| Shareholders | New Bonding (bonds) | New Money (debt) | Old Money (debt) | Interim Finance |
| Banco Santander, S.A. | 136,0 | 114,8 | 52,5 | 67,2 |
| ICO | - | 11,2 | 41,1 | - |

During 2018, the only transactions related to related parties were as follows:

- On March 9, 2018 the sale of 25% Atlantica Yield was completed for a total price of USD 607.6 million (see Note 6.2.).
- On November 27, 2018, the sale of all Atlantica Yield shares, by which the company "Algonquin" acquired 16.47% of the remaining shares that Abengoa S.A. held up to that moment, was completed (see Note 6.2.).

These operations have been subject to review by Abengoa's Audit Committee.

In this respect, and in relation to the transactions conducted with Atlantica Yield during the 2018 period, the Group holds contracts with the majority of the Project companies owned by Atlantica Yield for the operation and maintenance ("Operation and Maintenance Agreement") of every asset they own.

In addition to the above, the following agreements with Atlantica Yield are still in force at December 31, 2018.

- Right of First Offer Agreement: contract which gives the right to Atlantica Yield of the first offer in the case of any asset disposal of Abengoa.
- Trademark License Agreement: contract of use by Atlantica Yield of the commercial trademark owned by Abengoa.
- Financial Support agreement: contract of financial support through the use of a revolving credit for the treasury needs as well as the maintenance of certain technical and financial guarantees or credit letter in force.
- Estoppel Agreement and Second Omnibus Agreement and Amendment in relation to the obligations derived from the construction of the Solana solar thermal power plant.
- Omnibus Agreement & Amendment in relation to the obligations derived from the construction of the Mojave solar thermal power plant.
- Sale of Mojave and Solana land plots in consideration for certain repair operations, there being an option agreement for the repurchase thereof under certain circumstances. The sale price and repairs shall be regulated under the Financial Support Agreement.
- Coordination Agreement between Abengoa S.A, Abengoa Solar España S.A.U., Atlantica Yield Plc and ABY Concessions Infrastructures, S.L.U., based on which certain guarantees for the obligations undertaken in the Second Omnibus Agreement and in the O&M agreements for the plants are established.
- Indemnity Agreement: Agreement by which Abengoa agrees to indemnify Algonquin in the event that a reduction in the annual dividend distributed by Atlantica Yield derived from the performance of the power plants takes place, limited by a CAP of USD 0.30 per share and compensable with the "earn-out" agreed upon in the sale of 25% of Atlantica Yield shares (see Note 6.2.b)).
- In April 2018, Abengoa, S.A. and ABY Concessions Infraestucture, S.L.U (an Atlantica Yield subsidiary) reached an agreement by which Abengoa sold certain rights to recovery of debt over certain solar plants owned by Atlantica Yield to ABY Concessions.

The detail of pending balances arisen from transactions with companies accounted by the equity method included in the consolidated statement of financial position at the end of the 2018 and 2017 periods is as follows:

| Item | Balance as of 12.31.18 | Balance as of 12.31.17 |
|---|---|---|
| Non-current financial investments | 199 | 45,514 |
| Clients and other receivables | 2,585 | 87,430 |
| Current financial investments | - | 9,263 |
| Trade payables and other current liabilities | 14,320 | 20,868 |

At the end of the 2017 period, the main balances with Atlantica Yield companies correspond, for the most part, to €56 million classified under Trade and other receivables and €45 million classified as Non-current financial investments derived from Operation and Maintenance agreements.

On the other hand, the detail of transactions made with companies accounted by the equity method included in the consolidated statement of financial position at the end of the 2018 and 2017 periods is as follows:

| Item | 2018 | 2017 |
|---|---|---|
| Revenues | 86,292 | 190,134 |
| Other operating income | 145 | 3,278 |
| Raw materials and consumables used | (170) | (101) |
| Other operating expenses | (1,198) | (2,634) |
| Financial income | - | 98 |
| Other financial income/(expense), net | 1,044 | 10,135 |
| Other income (see Note 6.2) | 108,202 | - |

The main transactions correspond to the Atlantica Yield and Xina Solar One companies and break down as follows:

- Transactions with project companies owned by Atlantica Yield which amounts to €79 million (€78 million in 2017) classified under the heading of "Revenues" mainly derived from the operations and maintenance contracts mentioned above. Additionally, an impact of €108 million for the sale of Atlantica Yield has been registered in Other Income (See Note 6.2).
- Transactions with the company that owns the Xina Solar One project in the amount of €7 million (€112 million in 2017), classified under the heading of "Revenues", based on the degree of progress made in the construction of this project within the framework of the EPC agreements signed with said company.

## 33.3. Employee remuneration and other benefits

- Directors are remunerated as established in article 39 of the Bylaws. Directors' remuneration shall consist of all or some of the following concepts, for a total combined amount that shall be agreed by the General Shareholders' Meeting, pursuant to the directors' remuneration policy and conditional, when required by law, on the prior approval of the General Shareholders' Meeting: (a) a fixed fee; (b) expenses for attendance; (c) variable remuneration based on general benchmark indicators or parameters; (d) remuneration through the delivery of shares or share options or amounts that are linked to the Company's share price; (e) severance payments, provided that the director is not relieved of office on grounds if failing to fulfill the responsibilities attributable to him/her; and (f) savings or pension systems considered to be appropriate.

The General Meeting of Shareholders held on June 25, 2018 approved, among other matters, to ratify and appoint Mr. Piqué Camps as independent board member appointed through the interim procedure on July 13, 2017 for a four year period.

As a consequence of the above, the Board of Directors and its committees at the end of the year was as follows:

Board of Directors

- President: Gonzalo Urquijo Fernández de Araoz (Executive)
- Lead Independent Director: Manuel Castro Aladro (Independent)
- Members:
  - José Luis del Valle Doblado (Independent board member)
  - José Wahnon Levy (Independent board member)
  - Ramón Sotomayor Jáuregui (Independent board member)
  - Pilar Cavero Mestre (Independent board member)
  - Josep Piqué Camps (Independent board member)
- Non-Member Secretary: Daniel Alaminos Echarri
- Non-Member Vice Secretary: Mercedes Domecq Palomares

Audit Committee

- President: José Wahnon Levy
- Members:
  - José Luis del Valle Doblado
  - Manuel Castro Aladro
- Non-Member Secretary: Daniel Alaminos Echarri

Appointments and Remuneration Committee

- President: Pilar Cavero Mestre
- Members:
  - Josep Piqué Camps
  - Ramón Sotomayor Jáuregui
- Non-Member Secretary: Juan Miguel Goenechea Domínguez

Notwithstanding the above, following the period end, the Secretary to the Committee submitted his resignation for personal reasons. The Board of Directors' meeting held on February 25, 2019 has accepted the resignation of Juan Miguel Goenechea Dominguez as Secretary of the Appointments and Remunerations Committee due to personal reasons and has unanimously approved to appoint Miguel Temboury as new Secretary to such Committee.

- The remunerations accrued during the 2018 period by the Board of Directors' members as a whole is as follows (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 2018 |
|---|---|---|---|---|---|---|---|---|
| Gonzalo Urquijo Fernández de Araoz | 1,000 | - | 80 | 366 | - | - | 39 | 1,485 |
| Manuel Castro Aladro | - | - | 90 | - | 10 | - | - | 100 |
| José Wahnon Levy | - | - | 80 | - | 20 | - | - | 100 |
| Pilar Cavero Mestre | - | - | 80 | - | 20 | - | - | 100 |
| José Luis del Valle Doblado | - | - | 80 | - | 10 | - | - | 90 |
| Ramón Sotomayor Jáuregui | - | - | 80 | - | 10 | - | - | 90 |
| Josep Piqué Camps | - | - | 80 | - | 10 | - | - | 90 |
| Total | 1,000 | - | 570 | 366 | 80 | - | 39 | 2,055 |

- Remunerations paid during the 2017 period to the Board of Directors' members as a whole is as follows (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 2017 |
|---|---|---|---|---|---|---|---|---|
| Gonzalo Urquijo Fernández de Araoz | 1,000 | - | 80 | - | - | - | - | 1,080 |
| Manuel Castro Aladro | - | - | 80 | - | 10 | - | - | 90 |
| José Wahnon Levy | - | - | 80 | - | 20 | - | - | 100 |
| Pilar Cavero Mestre | - | - | 80 | - | 20 | - | - | 100 |
| José Luis del Valle Doblado | - | - | 80 | - | 20 | - | - | 100 |
| Javier Targhetta Roza | - | - | 8 | - | - | - | - | 8 |
| Ramón Sotomayor Jáuregui | - | - | 80 | - | 10 | - | - | 90 |
| Miguel Antoñanzas Alvear | - | - | 16 | - | 5 | - | - | 21 |
| Josep Piqué Camps | - | - | 48 | - | 8 | - | - | 56 |
| Total | 1,000 | - | 552 | - | 93 | - | - | 1,645 |

- Pursuant to the Board Member Remunerations Policy for the 2018-2020 period (in its sections 3.2 and 4.2.3D), which regulates the long-term variable remunerations for Board Members and Executive Chairman, respectively, the Company reserved the amount of €1,018 thousand, the 2018 estimate. Said amount is subject, in any case, to the successful compliance with the goals established for said remuneration whose maturity has been set for December 31, 2020.

- In addition, the remuneration accrued by the Group's Senior Management (Senior Management members who do not concurrently hold an executive director role and with the instruction to receive total remuneration during the period) has reached for all concepts, be it fixed or variable, €2,718 thousand (€3,240 thousand in 2017), during the 2018 period. As in previous periods, this amount is established based on the Company's latest estimate and considering that the remuneration to be received by Senior Management is uniformly accrued throughout the year.

- 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. The payment of severance pay or benefits is only envisaged in the event of termination concerning the performance of executive duties that, as applicable, they may be executing, as detailed below:

- The business contract of the Executive Chairman, in the event of its termination (except if said termination is due to voluntary resignation - excluding from said consideration the termination caused by the Executive Chairman himself with regards to a change of control over the group -, death or incapacity, or the non-performance of his obligations), entitles him to compensation equivalent to two years of his fixed and variable annual salary, one of the annual payments being in fulfilment of a non-competition clause.
- On the other hand, senior management contracts for members of the Executive Committee (with the exception of Executive Chairman, whose compensation is set out in the previous paragraph) are entitled to compensation for an amount equivalent to one year's fixed salary plus variable remuneration in the event of termination, which will be two years in the case of a change of control and succession of the business. There shall be no compensation if the termination is unilateral or due to serious non-performance and culpability of obligations by the senior director. The post contractual non-competition compensation shall be the payment of a fixed annual salary plus variables understood as included in the aforementioned compensation amount should such be the case. In the event of voluntary termination of the contract by Abengoa it will be necessary to give 6 months' notice and, if this is not fulfilled, the Company will compensate the other party by paying the amount of remuneration for the period not respected.

› Abengoa counts with a civil liability insurance policy that covers the members of the Board of Directors, executives and people whose duties are similar to those of executives. This policy's premium reaches a total amount of €531 thousand.

› There are no advances or loans granted to all the members of the Board of Directors, nor any obligations assumed with them.

33.4. In compliance with Royal Decree 1/2010 of July 2, that approves the Capital Corporations Law, the Company reports that no member of the Board of Directors of Abengoa, S.A. and, to its knowledge, none of the individuals related parties as referred to by article 231 in the Capital Corporations Law Act maintains any direct or indirect share in the capital of companies with the same, analogous or complementary kind of activity that the parent company's corporate purpose, nor has any position in any company with the same, analogous or complementary kind of activity that the parent company's corporate purpose. In addition, no member of the Board of Directors has accomplished any activity with the same, analogous or complementary kind of activity that the parent company's corporate purpose.

At December 31, 2018. the members of the Board are also members of the board of directors of Abengoa Abenewco 1, S.A.U., a subsidiary fully owned indirectly by the Company.

## 33.5. Audit fees

The fees and costs obtained by PriceWaterhouseCoopers Auditores, S.L. and other associated companies and other auditors are the following:

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| Concept | PWC | Other auditors | Total | Deloitte | Other auditors | Total |
| Audit fees | 1,625 | 354 | 1,979 | 2,304 | 529 | 2,833 |
| Other verification services | - | 180 | 180 | 84 | - | 84 |
| Tax fees | 28 | 550 | 578 | 7 | 1,419 | 1,426 |
| Other services | 54 | 1,799 | 1,853 | - | 377 | 377 |
| Total | 1,707 | 2,883 | 4,590 | 2,395 | 2,325 | 4,720 |

The verification services performed by the account auditor during the 2018 period amounted to €350 thousand.

## 33.6. Environmental information

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 on granting 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 2018, the total amount companies that have Environment Management Systems certified according to the ISO 14001 Standard covers the majority of the Group.

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 making process.

## 33.7 Subsequent events

After-closure of December 31, 2018, no events have occurred that might significantly influence the financial information detailed in this report, nor has there been any event of significance to the Group as a whole.