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1.- Entity's position

1.1. Organizational structure

Abengoa, S.A. is a technology company, and the head of a group of companies, which at the end of 2013 comprised the following

- The holding parent company itself.
- 534 subsidiaries.
- 19 associates and 24 joint businesses as well as certain companies of the Group being involved in 219 temporary joint ventures. Furthermore, the Group's companies have shareholdings of less than 20% in other entities.

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

Abengoa is an international company that applies innovative technology solutions for sustainability in the energy and environment sectors, generating electricity from renewable resources, converting biomass into biofuels and producing drinking water from sea water. The Company supplies engineering projects under the 'turnkey' contract modality and operates assets that generate renewable energy, produce biofuel, manage water resources, desalinate sea water and treat sewage.

Abengoa's activities are focused on the energy and environmental sectors, and integrate operations throughout the value chain including R&D+i, project development, engineering and construction, and operations and maintenance of its own assets and for third parties.

Abengoa's business is organized into the following three activities:

- Engineering and construction: includes our traditional engineering activities in the energy and water sectors, with more than 70 years of experience in the market and the development of thermo-solar technology. Abengoa is specialized in carrying out complex turn-key projects for thermo-solar plants, solar-gas hybrid plants, conventional generation plants, biofuels plants and water infrastructures, as well as large-scale desalination plants and transmission lines, among others.
- 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, tariff contracts or power purchase agreements. This activity includes the operation of electric (solar, cogeneration or wind) energy generation plants and transmission lines. These assets generate low demand risk and we focus on operating them as efficiently as possible.
- Industrial production: covers Abengoa's businesses with a commodity component, such as biofuels and industrial waste recycling (until the sale of shareholding in Befesa Medio Ambiente, S.L.U. (Befesa), see Note 7.1). The Company holds an important leadership position in these activities in the geographical markets in which it operates.

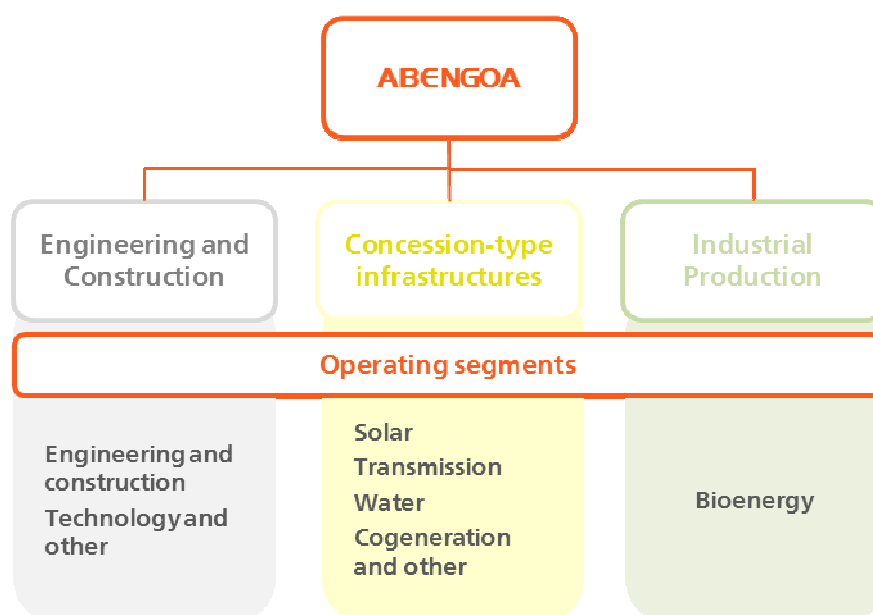
Abengoa's Chief Operating Decision Maker ('CODM') assesses the performance and assignment of resources according to the above identified segments. The CODM in Abengoa considers the revenues as a measure of the activity and the EBITDA (Earnings before interest, tax, depreciation and amortization) as measure of the performance of each segment. In order to assess 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 of the related assets are held at project companies which are financed through non-recourse project finance. The depreciation, amortization and impairment charges are assessed on a consolidated basis in order to analyze the evolution of net income and to determine the dividend pay-out ratio. These charges are not taken into consideration by CODM for the allocation of resources because they are non-cash charges.

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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 non-recourse financing for the new project has been obtained. These efforts are taken on a project by project basis. Once the project has been awarded, its evolution is monitored at a lower level and the CODM receives periodic information (revenues and EBITDA) on each operating segment's performance.

Abengoa structure



1.2. Operation

a) Information by activities

Abengoa's activity is grouped under the following three activities which are in turn composed of seven operating segments (eight operating segments until the sale of shareholding in Befesa):

- **Engineering and construction**; includes our traditional engineering activities in the energy and water sectors, with more than 70 years of experience in the market as well as the development of solar technology.

This activity comprises two operating segments:

- **Engineering and construction** – Abengoa is specialized in carrying out complex turn-key projects for thermo-solar plants, solar-gas hybrid plants, conventional generation plants, biofuels plants and water infrastructures, as well as large-scale desalination plants and transmission lines, among others. This activity covers the operating segment.
 - **Technology and other** – This segment includes those activities related to the development of thermo-solar technology, water management technology and innovative technology businesses such as hydrogen energy or the management of energy crops.
- **Concession-type infrastructures**; groups together the company's proprietary concession assets that generate revenues governed by long term sales agreements, such as take-or-pay contracts, tariff contracts or power purchase agreements. This activity includes the operation of electric (solar, cogeneration or wind) energy generation plants and transmission lines. These assets generate low demand risk and we focus on operating them as efficiently as possible.

This activity currently comprises four operating segments:

- **Solar** – Operation and maintenance of solar energy plants, mainly using thermo-solar technology;

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- Transmission – Operation and maintenance of high-voltage transmission power line infrastructures;
- Water – Operation and maintenance of facilities aimed at generating, transporting, treating and managing water, including desalination and water treatment and purification plants;
- Cogeneration and other – Operation and maintenance of conventional cogeneration electricity plants.
- Industrial production; covers Abengoa's businesses with a commodity component, such as biofuels (industrial waste recycling was part of this activity until the sale of shareholding in Befesa). The company holds an important leadership position in these activities in the geographical markets in which it operates.

This activity comprises one operating segment:

- Biofuels – Production and development of biofuels, mainly bioethanol for transport, which uses cereals, sugar cane and oil seeds (soya, rape and palm) as raw materials.

b) Competitive position

Over the course of our 70-year history, we have developed a unique and integrated business model that applies our accumulated engineering expertise to promoting sustainable development solutions, including delivering new methods for generating power from the sun, developing biofuels, producing potable water from seawater, efficiently transporting electricity. A cornerstone of our business model has been investment in proprietary technologies, particularly in areas with relatively high barriers to entry. Thanks to it, we have a developed portfolio of businesses focused on EPC and concession project opportunities, many of which are based on customer contracts or long-term concession projects attractive and growing energy and environmental markets.

We have developed a leadership position in the energy sector in recent years, as highlighted by the following:

- We have been recognized for the seventh consecutive year by the prestigious magazine Engineering News-Record (ENR) as a leading 'International contractor in transmission and distribution' in 2013. We have also regained the first place in the 'Power' category and for the third consecutive year we have been recognized the number one international contractor for solar power.
- We are a global leader in solar CSP technology, having developed and built the first two commercial tower technology plants (PS10 and PS20) in Seville (Spain), the first integrated solar combined cycle ("ISCC") plant in the world in Ain-Beni-Mathar (Morocco), the second ISCC plant in Hassi-R'Mel (Algeria) and the world's largest parabolic trough plant with a total installed capacity of 280 MW (also being the first solar plant in the United States with thermal energy storage) in Arizona (the Solana project), while we continue working in the 280 MW Mojave plant in California, the 50 MW CSP solar tower plant and the 100 MW parabolic trough plant with 3 hour storage capacity in South Africa. Additionally, in the recent months we have also been awarded several CSP projects in Israel, South Africa and Chile.
- We are a global leader in the biofuels industry, with plants in Europe, the United States and Brazil. We ranked first in Europe and seventh in the United States in first-generation bioethanol in terms of installed capacity (source: Ethanol Producer Magazine and ePURE) and enjoy a global leadership position in the development of technology for the production of second-generation bioethanol on a commercial scale.

In addition, Abengoa has been internationally recognized for its accomplishments in the desalination industry, such as the Global Water Intelligence's (GWI) awards '2012 Desalination Company of the Year,' '2010 Desalination Deal of the Year,' and '2009 Desalination Company of the Year.' These awards have been awarded respectively for the Nungwa desalination plant, in Ghana, the Qingdao desalination project in China, and the Algerian desalination projects of Ténès, Honaine and Skikda. All plants were developed with the latest available advances in reverse osmosis (RO) desalination technology.

We are currently ranked as the 12th desalination plant supplier according to GWI's Global Water Markets 2014 report. Supporting our activities in RO desalination, we continue to expand our business into construction and management of water and wastewater infrastructures for municipal and industrial clients. For example, we have just completed the construction of a water treatment facility to supply drinking water in southern Angola for more than 250,000 people. Through these activities Abengoa continues its path in the environmental sector; producing, treating, and regenerating water for a sustainable world.

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2.- Evolution and business results

2.1. Financial situation

a) Changes in consolidation and/or in accounting policies

New accounting standards

The Company has applied IFRS 10, 11 & 12 as well as the amendments to IAS 27 and 28 beginning on January 1, 2013. The main impacts of the application of the new standards relate to:

- The de-consolidation of projects that do not fulfill the conditions of effective control in terms of decision making and their integration in the consolidated financial statements according to the equity method. In the case of Abengoa, it affects the Solana and Mojave solar-thermal projects in the USA, the Kaxu and Khi solar projects in South Africa and our second-generation ethanol plant in Hugoton, which will be carried under the equity method during their construction phases.
- The elimination of the proportional consolidation method for joint ventures, replaced with the equity method. In Abengoa's case, the most significant assets that will change from proportional consolidation to the equity method are the Helioenergy 1 and 2 solar-thermal plants and the Honaine desalination plant in Algeria.

The standards referred to above have been applied retrospectively for comparative purposes, as required by IAS 8 Accounting policies, changes in accounting estimates and errors. Based on the foregoing the effect of the de-consolidation of the affected companies and their integration according to the equity method on the consolidated statements of financial position as of December 31, 2012 is shown below:

	Balance as of 12.31.12
Assets	
Intangible assets	(25,212)
Tangible fixed assets	(2,341,152)
Fixed assets in projects	855,627
Financial investments	31,775
Deferred tax assets	(18,976)
Current assets	237,834
Total assets	(1,260,104)
Shareholders' Equity and Liabilities	
Equity	(19,959)
Non-recourse financing	(1,707,460)
Corporate financing	(40)
Other non-recourse financing	(189,989)
Current liabilities	657,344
Total equity and liabilities	(1,260,104)

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IFRIC 12 – Service concession arrangements

After the change in accounting policy in relation to the first application of IFRIC 12 Service Concession Agreements' to the solar-thermal plants in Spain described in the Consolidated Financial Statements as of December 31, 2013 and based on the provisions of IAS 8.14 for Accounting Policies, Changes in Accounting Estimates and Errors, IFRIC 12 has been applied by recasting the comparative information presented, to make it comparable with the information as of December 31, 2013. The impact of this recasting on the consolidated statements of the financial position as of December, 31 2012 and December 31, 2011 has been as follows:

	12.31.12	01.01.12
Assets		
Fixed assets in projects (project finance)	69,595	173,986
Deferred tax assets	(20,879)	(52,196)
Total assets	48,716	121,790
Equity and liabilities		
Equity	48,716	121,790
Total equity and liabilities	48,716	121,790

In addition, the effect of this recasting on the consolidated income statements for the years 2012 and 2011 has been as follows:

	Balance as of 12.31.12	Balance as of 12.31.11
Revenue	(808,484)	194,326
Other operating income	-	(240,500)
Operating expenses	704,093	220,160
I. Operating profit	(104,391)	173,986
IV. Profit before income tax	(104,391)	173,986
V. Income tax benefit	31,317	(52,196)
VI. Profit for the period from continuing operations	(73,074)	121,790
VII. Profit attributable to non-controlling interests	3,033	(5,055)
VIII. Profit for the period attributable to the parent company	(70,041)	116,735

Discontinued operations

On June 13, 2013, Abengoa S.A. signed an agreement with funds managed by Triton Partners to wholly transfer Abengoa's shareholding in Befesa Medio Ambiente (Befesa). The agreed sale price was €1,075 million. Considering the net debt adjustments, total consideration to Abengoa amounts to €620 million. Of this amount, €331 million was received on 15 July, when the transaction was definitively completed. The remaining amount is a deferred compensation of €17 million, a €48 million credit note with a five-year maturity and a €225 million subordinated convertible instrument with a 15-year maturity (subject to two five-year extensions), with interest rate of 6-month Euribor in effect at closing date plus a differential of 6%. Upon the occurrence of certain triggering events including, but not limited to, Befesa's failure to meet certain financial targets or the exit of the Triton Funds from Befesa, may be converted into approximately 14% of the shares of Befesa. Abengoa has recorded the sale transaction, recognizing a gain of €0.4 million.

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Taking into account the significance of the activities carried out by Befesa to Abengoa, the sale of this shareholding is considered as a discontinued operation and is reported as such, in accordance with the stipulations and requirements of IFRS 5. In accordance with this standard, the results generated by Befesa until the close of the sale and the result of this sale are considered in a single heading, Profit (loss) from discontinued operations. Likewise, the Consolidated Income Statement for the year 2013, which is included for comparison purposes, also includes the reclassification of the results generated by the activities that are now considered to be discontinued, under a single heading.

Held for sale

As of December 31, 2013, the Company has started a process of negotiations to sell its 92.6% interest in Qingdao BCTA Desalination Co., Ltd., ('Qingdao') a desalination plant in China. Given that as of that date the subsidiary is available for immediate sale and the sale is highly probable, the Company has classified the assets and liabilities of Qingdao as held for sale in the Consolidated Statement of Financial Position as of December 31, 2013. Until closing of the sale transaction, the assets will be reported as held for sale in accordance with the stipulations and requirements of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

b) Main figures

Financial Data

- Revenues of €7,356 million, an increase of 17% compared to 2012.
- Ebitda of €1,365 million, an increase of 44% compared to 2012.

	Importe al 31.12.13	Importe al 31.12.12 (*)	Var (%)
Income Statement			
Revenue	7,356	6,312	17%
EBITDA	1,365	949	44%
EBITDA Margin	19%	15%	27%
Net Income	101	55	84%
Balance Sheet			
Total Assets	21,153	19,334	9%
Equity	1,893	1,860	2%
Corporate Net Debt	2,124	2,486	-15%
Share Information			
Last price (€ per B share)	2.18	2.34	-7%
Capitalization (A+B share) (€ million)	1,817	1,263	44%
Daily trading volume (€ million)	8.9	10.3	-14%

(*) Figures recasted, see Note 2 Significant accounting policies of these Consolidated Financial Statement.

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Operating Data

- 84% of our revenues from international markets outside of Spain.
- United States became the first country in revenues with 28% of total revenues.
- Engineering and Construction backlog up to €6,796 million, as of December 31, 2013.

Key operational	2013	2012
Transmission lines (km)	2,660	1,476
Water Desalination (Cap. ML/day)	660	660
Cogeneration (GWh)	693	393
Solar Power Assets (MW)	1,223	743
Biofuels Production (ML/year)	3,175	3,175

c) Consolidated income statement

	Balance as of 12.31.13	Balance as of 12.31.12 (*)	Var (%)
Revenues	7,356	6,312	17%
Operating expenses	(5,991)	(5,363)	12%
Depreciation and amortization	(571)	(422)	35%
I. Net Operating Profit	794	527	51%
II. Finance Cost, net	(722)	(655)	10%
III. Share of (loss)/(profit) of associates	(5)	17	-129%
IV. Profit Before Income Tax	67	(110)	-161%
V. Income tax expense	44	172	-74%
VI. Profit for the year from continuing operations	111	61	82%
Profit (loss) from discontinued operations, net of tax	(1)	33	-103%
Profit for the year	110	94	17%
VII. Non-controlling interests	(9)	(39)	-77%
Net income attributable to the parent company	101	55	84%

(*) Figures recasted, see Note 2 Significant accounting policies of these Consolidated Financial Statement.

Revenues

Abengoa's consolidated revenues in the year 2013 have reached €7,356 million, representing a 17% increase from the previous year. The increase is mainly due to the revenues increase in Engineering and Construction, where we can highlight the construction of thermo-solar plant in the in the United States and South Africa, a combined-cycle plant in Poland and a significant progress in the Eolic Projects in Uruguay.

Ebitda

Ebitda the year ended December, 31 2013 reached €1,365 million, a 44% increase from the previous year. This increase was mainly due to contribution of the aforementioned revenues increase in Engineering and Construction business, new concessions assets in operation (Qingdao's desalination in China, transmission lines in Brazil and the cogeneration plant for Pemex in Mexico), as well as the margin recovery in Bioenergy business.

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Finance cost net

Net financial expenses increased in €67 million, mainly due to financial expenses increase, lower interest capitalization due to the entry into operation of Solana, Solaben 1 and 6 projects, which was partially offset by the increase of positive valuation of the embedded derivative in the convertible bonds and related options with respect to the previous year.

Income Tax Expense

Corporate income tax benefit reached €44 million in 2013, from €172 million from previous year. This figure was affected by various incentives for exporting goods and services from Spain, for investment and commitments to R&D+i activities, the contribution to Abengoa's profit from results from other countries, as well as prevailing tax legislation.

Profit for the year from continuing operations

Given the above, Abengoa's income from continuing operations increased by 82% from €61 million in 2012 to €111 million in 2013.

Profit from discontinued operations, net of tax

As indicated in Note 2.1.a, the sale of Befesa is considered as a discontinued operation in both periods.

Profit for the year attributable to the parent company

As a result of the above, the profit attributable to Abengoa's parent company increased by 84% from €55 million achieved in 2012, to €111 million in 2013

d) Results by activities

The Segment revenues, EBITDA and margins for the years 2013 and 2012 is as follows:

Item	Revenue			Ebitda			Margin	
	2013	2012 (*)	Var (%)	2013	2012 (*)	Var (%)	2013	2012 (*)
Engineering and construction								
E&C	4,473	3,478	29%	593	476	25%	13%	14%
Technology and other	335	303	11%	213	148	44%	64%	49%
Total	4,808	3,781	27%	806	624	29%	17%	17%
Concession-type infrastructure								
Solar	321	281	14%	200	203	-1%	62%	72%
Water	40	21	90%	28	12	133%	70%	57%
Transmission lines	67	38	76%	43	16	169%	64%	42%
Cogeneration and others	91	53	72%	47	3	1467%	52%	6%
Total	519	393	32%	318	234	36%	61%	59%
Industrial production								
Bioenergy	2,029	2,138	-5%	241	91	165%	12%	4%
Total	2,029	2,138	-5%	241	91	165%	12%	4%
Total	7,356	6,312	17%	1,365	949	44%	19%	15%

(*) Figures recasted, see Note 2 Significant accounting policies of these Consolidated Financial Statement.

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Engineering and Construction

Revenues in Engineering and Construction increased by 27% compared to the previous year, to €4,808 million (€3,781 million in 2012), while Ebitda increased by 29% to €806 million compared to the figure recorded in 2012 (€624 million). This growth was mainly driven by:

- Execution of the Mojave solar plant in California (USA), Imperial Valley Plat (USA) as well as solar plants Khi and KaXu (South Africa).
- Execution of combined-cycle plants in Poland and Mexico.
- Execution of eolic projects in Uruguay.
- Progress in Quadras transmission lines for Sierra Gorda in Chile.
- Progress in the execution of high speed train Meca-Medina.
- Construction of Cogeneration Plants in Mexico.

Concession-type Infrastructures

Revenues in the Concession-type Infrastructures area increased by 32% compared to the previous year, to €519 million (€393 million in 2012), while Ebitda rose by 36% to €318 million compared to €234 million in 2012. These increases were mainly due to start-up of various concessions (Desalination plant of Qingdao in China, transmission lines of Brazil of Manaus and the cogeneration plant for Pemex in Mexico) that balanced out lower Ebitda generated by Solar business as consequence of consecutive government reforms in Spain, as well as poor weather conditions registered during the first quarter of 2013.

Industrial Production

Revenues level in Bioenergy Business decreased by 5% compared to the previous year, to €2,029 million (€2,138 million in 2012) due to reduction in Etanol price, while Ebitda reached €241 million compared to €91 million registered in 2012, mainly driven by a favorable resolution from the Court of Arbitration of the International Chamber of Commerce in relation with the arbitration against Adriano Gianetti Dedini Ometto and Adriano Ometto Agrícola Ltda by an amount of €141.8 million (Note 15.10 of the Consolidated Financial Statements) and also by a significant margin increase in Europe and specially in USA.

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e) Consolidated statement of financial position

Consolidated statements of financial position

A summary of Abengoa's consolidated balance sheet for 2013 and 2012 is given below, with main variations:

	Balance as of 12.31.13	Balance as of 12.31.12	Var (%)
Intangible assets and fixed assets	2,116	2,989	-29%
Fixed assets in projects	9,914	7,786	27%
Associates under the equity method	836	920	-9%
Financial investments	761	480	59%
Deferred tax assets	1,281	1,148	12%
Non-current assets	14,908	13,323	12%
Inventories	331	427	-22%
Clients and other receivable accounts	1,870	2,271	-18%
Financial investments	926	900	3%
Cash and cash equivalents	2,952	2,413	22%
Assets held for sale	166	-	-
Current assets	6,245	6,011	4%
Total Assets	21,153	19,334	9%

- Non-current assets increased primarily due to the start-up and fully consolidation of Solana (€1,136 million), execution of Solaben 1 and 6 (reclassified to projects) and the assets under construction related to Cogeneration activity, Eolic and Transmissions Lines, partially balanced out by differences in foreign exchange (Brazilian Real and US Dollar) and reclassification of Qingdao's short-term discontinued assets. In addition, the decrease in Investments in Associates due to the full consolidation of Solana is partially offset by the equity contributions made by Solar and Bioenergy in companies consolidated via the equity method (Mojave, Khi, Kaxu and Hugoton) and due to the capitalization of interest, as well as an increase in financial investments for the convertible loan and credit notes generated by the sale of Befesa (224 million euros).
- Net increase in current assets, mainly due to the reclassification of the discontinued assets of Qingdao from long term assets to assets held for sale, and due to the net increase in cash and cash equivalents following the issue of ordinary and convertible bonds, asset rotations and the capital increase with listing in Nasdaq.

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	Balance as of 12.31.13	Balance as of 12.31.12	Var (%)
Shareholders' Equity and Liabilities (M€)			
Capital and reserves	1,321	1,118	18%
Non-controlling interest	572	742	-23%
Total Equity	1,893	1,860	2%
Long-term non-recourse financing	5,736	4,679	23%
Corporate financing	4,735	4,357	9%
Grants and other liabilities	646	194	233%
Provisions and Contingencies	78	118	-34%
Derivative financial instruments	267	408	-35%
Deferred tax liabilities and Personnel liabilities	357	347	3%
Total non-current liabilities	11,819	10,103	17%
Short-term non-recourse financing	585	578	1%
Corporate financing	919	590	56%
Trade payables and other current liabilities	5,514	5,956	-7%
Current tax liabilities	247	179	38%
Derivative financial instruments	44	54	-19%
Provisions for other liabilities and expenses	10	14	-29%
Liabilities held for sale	122	-	
Total current liabilities	7,441	7,371	1%
Total Shareholders' Equity and Liabilities	21,153	19,334	9%

- Shareholders' equity increased by 2%, primarily due to the positive results for the year, the capital increase by going public in the Nasdaq and reduction in negative cash flow hedge derivatives and the dividends distribution policy, partially offset by the negative effect of translation difference arising mainly from the depreciation of the Brazilian real with respect to the Euro.
- Non-current liabilities increased by 17%, mainly due to the ordinary bonds issuance by Abengoa Finance of €873 million, convertible bonds issuance by Abengoa S.A. of €400 million with partial recovery of convertible bonds of €100 million during 2014 and the non-recourse financing projects (Transmission Lines, Cogeneration, Desalations and Solana's debt integration). Partially balanced out by non current liabilities decrease of Befesa, the short-term reclassifications of maturities in 2014 (Syndicated Financing Loan, BEI, ICO, BID, and Convertible Bonds), the downgrade in derivatives valuation and the foreign exchange depreciation (Brazilian Real and US Dollar).
- Current liabilities keep stable during 2013, with an increase by 1%, driven mainly by the reclassification from the Qingdao's long-term discontinued liabilities to liabilities held for sale and reclassification of corporate debt maturities in 2014 (PS, BEI, ICO, BIC and Convertible Bond) partially balanced out by non current liabilities decrease of Befesa and the maturity payment of the Syndicated Loan in July 2013.

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Net Debt Composition

	2013	2012	Var (%)
Total net corporate debt	2,124	2,486	-15%
Total non-recourse debt	5,850	4,215	39%
Total net debt	7,974	6,701	19%
LTM Ebitda	1,365	949	44%
LTM Ebitda corporate entities	979	663	48%
Corporate Net Debt / Corporate Ebitda	2.2	3.7	-41%
Non-recourse Net Debt / Non-recourse Ebitda	14.4	14.2	1%
Total Net Debt / Total Ebitda	5.8	7.1	-18%

f) Consolidated cash flow statements

A summary of the Consolidated Cash Flow Statements of Abengoa for the years ended December 31, 2013 and 2012 with the main variations per item, are given below:

	2013	2012	Var (%)
Profit for the year from continuing operations	111	61	82%
Non-monetary adjustments	888	710	25%
Profit for the year from continuing operations adjusted by non monetary items	999	771	30%
Variations in working capital and discontinued operations	228	177	29%
Income tax paid	(12)	(35)	-66%
Interest received/paid	(509)	(397)	28%
Discontinued operations	35	85	-59%
A. Net Cash Flows from operating activities	741	602	23%
Investments	(2,400)	(3,049)	-21%
Disposals	513	410	25%
B. Net Cash Flows from investing activities	(1,887)	(2,639)	-28%
C. Net Cash Flows from financing activities	1,886	845	123%
Net increase/(decrease) of cash and equivalent	740	(1,192)	-162%
Cash at beginning of year	2,413	3,723	-35%
Translation differences cash or equivalent	(120)	(66)	-81%
Discontinued operations	(81)	(52)	-57%
Cash and cash equivalent at end of year	2,952	(2,413)	22%

- Net cash flows from operations reached €741 million, mainly achieved by financial result from activities during the year, as well as the positive evolution of working capital.

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- In terms of net cash flows from investing activities €1,887 million, the most significant investments were in the construction of Solar thermal plants (Spain, US and South Africa), Transmission Lines (Brazil and Peru), Cogeneration (Mexico), Bioenergy (US) and in the construction of an Eolic plant in Uruguay. Regarding disposals, it is worth noting the cash generated by the sale of Befesa to a Private Equity Fund.
- In terms of net cash flows from financing activities, it is worth noting the net generation of cash as a consequence basically of the new corporate financing (bonds issuance) and new non recourse financing projects (Solar, Transmission Lines, Desalinations and Cogenerations), as well as the capital increase carried out during the year.

2.2. Financial and non-financial key indicators

The main operational and financial indicators for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012	Var (%)
Consolidates EBITDA (millions))	1,365	949	44%
EBITDA margin (EBITDA/revenues)	18.60%	15.00%	24%
Operating margin (Operating profit/revenue)	10.79%	8.34%	29%
Profit margin	1.38%	0.88%	57%
Basic earnings per share	0.17%	0.10%	66%
Diluted earnings per share	16.00%	10.00%	60%
Market capitalization (million)	1,817	1,263	44%

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The key performance indicators for each activity is detailed below for the years 2013 and 2012:

	2013	2012
Engineering and Construction		
Backlog (€ in millions)	6,796	6,679
Concession-Type Infrastructure		
Solar		
MW under development	210	-
MW under construction	430	910
MW in operation	1,223	743
Total MW	1,863	1,653
Transmisión		
Km of transmission under development	367	-
Km of transmission under construction	9,373	5,217
Km of transmission in operation	1,631	1,476
Total Km	11,371	6,693
Water		
Capacity of desalination in operation (m3/day)	660,000	660,000
Industrial Production		
Capacity Biofuels production (ML/Yr)	3,175	3,175

2.3. Matters relating to the environment and human resources

a) Environment

The principles of the environmental policies of Abengoa are based on compliance with the current legal regulations applicable, preventing or minimizing damaging or negative environmental consequences, reducing the consumption of energy and natural resources, and achieving ongoing improvement in environmental conduct.

In response to this commitment to the sustainable use of energy and natural resources, Abengoa, in its Management Rules and Guidelines for the entire Group, explicitly establishes the obligation to implement and certify environmental management systems in accordance with the ISO 14001 International Standard.

Consequently, by year-end 2013, the percentage of Companies with Environment Management Systems certified according to the ISO 14001 Standard per sales volume is 93.92% (91.98% in 2012).

The table below lists the percentage of distribution of the Companies with Certified Environmental Management Systems, broken down by business unit:

Business unit	ISO 14001-certified companies (% of revenue)
Engineering and Construction	96.35%
Industrial Production	89.46%
Concession-type Infrastructure	27.20%

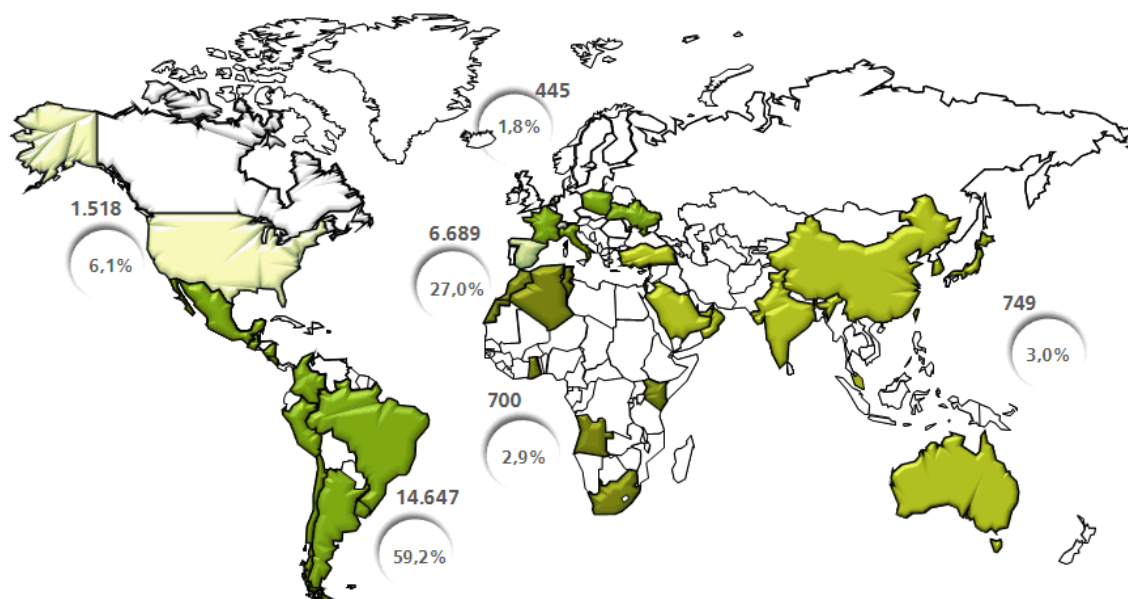
b) Human resources

During 2013, Abengoa's workforce decreased by 6.3% to 24,748 people at December 31, compared to the previous year (26,402).

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Geographical distribution of the workforce

The distribution of the average number of employees was 27% in Spain and 73% abroad.



Distribution by professional groups

The average number of employees during 2013 and 2012 was:

Categories	Average number of employees in 2013			Average number of employees in 2012		
	Female	Male	% Total	Female	Male	% Total
Directors	73	536	2.3	76	583	2.5
Management	426	1,512	7.2	391	1,724	7.9
Engineers	1,278	3,268	17.0	1,108	2,485	13.5
Assistants and professionals	1,128	1,507	9.8	1,255	1,904	11.9
Operators	925	15,648	61.8	975	15,640	62.3
Interns	230	287	1.9	214	299	1.9
Total	4,060	22,758	100	4,019	22,635	100

3.- Liquidity and capital resources

Abengoa's liquidity and financing policy is intended to ensure that the company keeps sufficient funds available to meet its financial obligations as they fall due. Abengoa uses two main sources of financing:

- Non-recourse project financing, which is typically used to finance any significant investment. The repayment profile of each project is established on the basis of the projected cash flow generation of the business, allowing for variability depending on whether the cash flows of the transaction or project can be forecast accurately. This ensures that sufficient financing is available to meet deadlines and maturities, which mitigates the liquidity risk significantly.

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- Corporate Financing, used to finance the activities of the remaining companies which are not financed under the aforementioned financing model. This means of financing is managed through Abengoa S.A., which pools cash held by the rest of the companies so as to be able to re-distribute funds in accordance with the needs of the Group and to ensure that the necessary resources are obtained from the bank and capital markets.

To ensure there are sufficient funds available for debt repayment in relation to its cash-generating capacity, the Corporate Financial Department annually prepares and the Board of Directors reviews a Financial Plan that details all the financing needs and how such financing will be provided. We fund in advance disbursements for major cash requirements, such as capital expenditures, debt repayments and working capital requirements. In addition, as a general rule, we do not commit our own equity in projects until the associated long term financing is obtained.

During 2013, Abengoa covered its financing needs through the following financial transactions:

- In 2012, the Company completed the refinancing of its syndicated loans as well as new financing transactions in subsidiaries which have the support of export credit agencies.
- During 2013 the Company successfully extended the maturity profile of its debt maturities through access to capital markets.
- In January 2013 the Company issued € 400 million convertible notes due in 2019. In addition, in February 2013 the Company issued € 250 million ordinary notes due in 2018 (the 'February notes') and in October and November 2013, additional notes fungible with the February notes were issued for an amount of €50 and €250 million, respectively.
- Furthermore, the Company completed a capital increase for a total amount of € 517.5 million in October 2013.
- Finally, in November 2013 Abengoa issued USD 450 million ordinary notes due in 2020. We aim to maintain our strong liquidity position, extend the debt maturities of our existing corporate loans and bonds, continue to access the capital markets from time to time, as appropriate, and further diversify our funding sources. We aim to continue to raise equity funding at the project company level through partnerships.

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In accordance with the foregoing, the sources of financing are diversified, in an attempt to prevent concentrations that may affect our liquidity risk.

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a) Contractual obligations and off-balance sheet

The following table shows the breakdown of the third-party commitments and contractual obligations as of December 31, 2013 and 2012 (in thousands of Euros):

2013	Total	Up to one year	Between one and three years	Between three and five years	Subsequent
Loans with credit institutions	8,917,022	1,221,532	2,837,961	938,084	3,919,445
Notes and bonds	2,894,526	256,443	795,159	1,210,960	631,964
Liabilities due to financial leases	40,038	12,945	12,348	1,588	13,157
Other loans and borrowings	123,773	13,143	62,835	39,394	8,401
Obligations under operating Leases	17,147	12,804	1,610	1,277	1,456
Purchase commitments	1,172,565	1,033,952	117,829	1,278	19,506
Accrued interest estimate during the useful life of loans	3,534,516	664,610	955,679	658,304	1,255,923

2012	Total	Up to one year	Between one and three years	Between three and five years	Subsequent
Loans with credit institutions	8,298,829	1,113,831	2,212,839	1,444,057	3,528,102
Notes and bonds	1,674,807	30,881	475,891	1,168,035	-
Liabilities due to financial leases	39,934	11,885	12,140	2,241	13,668
Other loans and borrowings	190,030	11,566	89,393	66,124	22,947
Obligations under operating Leases	14,359	5,714	5,412	2,757	476
Purchase commitments	1,718,113	1,617,739	97,120	2,016	1,238
Accrued interest estimate during the useful life of loans	3,243,566	453,647	926,356	602,224	1,261,339

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b) Investment plan

The nature and maturity of future investment commitments are detailed as follows:

Main projects in execution and under development (indicated in light grey)

[illegible]

Amounts based on the company's best estimate as of Dec. 31, 2013. Actual investments or timing thereof may change.

Capex 2014-2016

FY-2016						Total				
(M€)	Capacity	Abengoa (%)	Country	Start Up	Ann. EBITDAe (M€)	Investment	Pending Capex	ABG Equity	Partners	Debt
Solar						2,100	359	58	26	275
Mojave ²	280 MW	100%	US	Q2 14	55	1,169	120	31	0	89
South Africa 100 MW ²	100 MW	51%	S.Africa	Q1 15	81	612	179	19	18	142
South Africa 50 MW ²	50 MW	51%	S.Africa	Q4 14	46	319	60	8	8	44
Biofuels						491	56	-47	24	79
Hugoton ²	95 ML	100%	US	Q1 14	-	491	56	-47	24	79
Power Generation						199	57	32	0	25
Uruguay Wind (Palmatir)	50 MW	50%	Uruguay	Q1 14	11	109	6	5	0	1
Cadonal Wind	50 MW	50%	Uruguay	Q2 14	8	90	51	27	0	24
Water						588	273	125	7	141
Tenes	200,000 m3/day	51%	Algeria	Q3 14	17	197	35	4	3	28
Ghana	60,000 m3/day	56%	Ghana	Q1 15	10	95	31	5	4	22
Zapotillo ¹	3.80 m3/sec	100%	Mexico	Q4 16	12	296	207	116	0	91
Transmission						1,331	224	102	59	63
Norte Brasil	2,375 km	51%	Brazil	Q2 14	66	1,018	107	51	49	7
Linha Verde	987 km	51%	Brazil	Q4 13	15	194	21	11	10	0
ATN 3	355 km	100%	Peru	Q3 16	10	119	96	40	0	56
Additional Projects with Limited Equity Investment						4,780	969	270	116	583
Ashalim CSP Plant ¹	110 MW	50%	Israel	Q2 17	n/a	769	n/a	51	n/a	n/a
Xina	100 MW	40%	S.Africa	Q4 16	n/a	737	n/a	77	n/a	n/a
Uruguay Wind (Palomas) ¹	70 MW	50%	Uruguay	Q3 15	n/a	118	n/a	12	n/a	n/a
New Brazilian T&D lines ¹	5,783 Km	Limited to EPC Margin	Brazil	Q1-Q3 16	n/a	2,099	n/a	197	n/a	n/a
Total Equity Capex							607			

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Amounts based on the company's best estimate as of December 31, 2013. Actual investments or timing thereof may change.

(M€)	2014				2015				2016+			
	Pending Capex	ABG Equity	Partners	Debt	Pending Capex	ABG Equity	Partners	Debt	Pending Capex	ABG Equity	Partners	Debt
Solar	336	56	24	256	23	2	2	19	0	0	0	0
Mojave ²	120	31	0	89	0	0	0	0	0	0	0	0
South Africa 100 MW ²	156	17	16	123	23	2	2	19	0	0	0	0
South Africa 50 MW ²	60	8	8	44	0	0	0	0	0	0	0	0
Biofuels	56	-47	24	79	0	0	0	0	0	0	0	0
Hugoton ²	56	-47	24	79	0	0	0	0	0	0	0	0
Other Power Generation	56	31	0	25	1	1	0	0	0	0	0	0
Uruguay Wind	6	5	0	1	0	0	0	0	0	0	0	0
Cadonal Wind	50	26	0	24	1	1	0	0	0	0	0	0
Water	42	20	0	22	152	57	7	88	79	48	0	31
Tenes	0	0	0	0	35	4	3	28	0	0	0	0
Ghana	0	0	0	0	31	5	4	22	0	0	0	0
Zapotillo ¹	42	20	0	22	86	48	0	38	79	48	0	31
Transmission	139	62	59	18	59	34	0	25	26	6	0	20
Norte Brasil	107	51	49	7	0	0	0	0	0	0	0	0
Linha Verde	21	11	10	0	0	0	0	0	0	0	0	0
ATN 3	11	0	0	11	59	34	0	25	26	6	0	20
Ashalim ¹		51				0				0		
Xina ¹		17				38				22		
Uruguay Wind (Palomas) ¹		3				9				0		
New Brazilian T&D lines ¹		0				131				66		

Total Equity Capex

193

272

142

¹Uncommitted project

(financing and/or partner's contribution still pending to be secured)

² This project falls under the scope of IFRS 10 and is therefore consolidated through equity method until entry into operation.

4.- Principal risks and uncertainties

4.1. Operational risks

4.1.1. Regulatory risk

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

a) Solar electricity generation

Renewable energy is rapidly maturing but its cost of generating electricity is still significantly higher than conventional energy (nuclear, coal, gas, hydroelectric). Governments have established support mechanisms to make renewable generation projects economically viable, mainly in the form of subsidized tariffs (in Spain), supplemented in specific cases with direct support for investment (mainly in the USA). These tariffs vary depending on the technology (wind, photovoltaic, solar-thermal, biomass) since they are in different stages of maturity and the regulator seeks to promote the development of each type by giving developers sufficient economic incentive in the form of a reasonable return on their investment. Without this support, any renewable energy project would currently be unfeasible, although as the technology matures, the need for this support diminishes or even completely disappears over the long term.

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b) Bioenergy consumption

The consumption of bioenergy for transport, one of the Company's activity areas, is also subject to regulation via specific public support policies both nationally and internationally. Biofuels cost more to produce than gasoline or diesel and therefore requires government support to incentivize its use. The use of biofuels offers a series of environmental and energy advantages compared to oil-based fuels, making them potentially useful tools for implementing European policies to combat climate change and reduce oil dependency.

Notwithstanding the above, despite major support in the field of biofuels from governments and regulatory authorities in the jurisdictions in which Abengoa operates, and despite the fact that authorities have reiterated their intention to maintain this support, it is possible that existing policies may change over time.

Furthermore, biofuels are not the only alternative to oil-based fuels for use in transport, as shown by the recent development of electric vehicle technology. Different alternative sources with the potential to progressively substitute fossil fuels in transport can coexist. The future demand for all forms of transport could be covered via a combination of electricity (fuel cells) and biofuels as the main options; synthetic fuels (increasingly produced from renewable sources) as an intermediate solution; methane as an additional fuel; and supplemented by liquid petroleum gas. Many of these alternative sources receive or will receive government support in the form of different types of incentives, which may reduce the support specifically given to biofuels. The level of public support can be influenced by external factors, such as public criticism in some countries at the alleged effect of biofuels on an increase in food prices.

Abengoa's activities are subject to multiple jurisdictions with varying degrees of regulatory compliance, which require significant effort by the Company to comply with them

Abengoa's internationalization means that its activities are subject to multiple jurisdictions with varying degrees of regulatory compliance, especially in intensively regulated sectors. This multi-jurisdictional regulatory environment requires considerable effort in order to comply with all legal requirements, which represents a significant risk since non-compliance with any of the numerous precepts could result in licenses being revoked, fines being imposed or penalties that prevent Abengoa from contracting with various public entities.

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

Revenues obtained through concession-type infrastructure projects are highly dependent on regulated tariffs or, if applicable, long term price agreements that can last between 25 and 30 years depending on the asset. Abengoa has very little room for maneuver in terms of amending tariffs or prices when faced with adverse operating situations, such as fluctuations in commodity prices, exchange rates, costs of labor and subcontractors, during the construction phase and the operating phase of these projects. These projects are normally calculated with tariffs or prices that are higher than the operations and maintenance cost. The Company's experience of operating concession-type assets is relatively recent, with three years' experience in the case of CSP plants (solar-thermal technology) and nine years in the case of electricity transmission lines for proprietary assets. Nevertheless, the Company has extensive experience in providing maintenance services for electricity transmission lines for third parties.

4.1.2. Operational risk

Risks from developing, constructing and operating new projects

The development, construction and operation of traditional power plants, renewable energy plants, desalination plants, water treatment plants, electricity transmission lines, as well as other projects that Abengoa carries out, involves a highly complex process that depends on a large number of variables.

To correctly develop and finance each project, Abengoa must obtain licenses and sufficient financing, as well as sign agreements to purchase or lease land, procure equipment and for the construction, for operations and maintenance, transport and fuel supply, and agreements to sell all or the majority of the production. Furthermore, these factors may significantly affect its capacity to develop and complete new infrastructure projects.

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Revenues from long term agreements: risks derived from the existence of termination and/or renewal clauses of the concession agreements managed by Abengoa; cancellation of pending projects in Engineering and Construction; and the non-renewal of distribution agreements in Bioenergy

Concessions

Projects that involve operating concessions are governed by public agreements, in which the corresponding public body defines certain entitlements. However, these agreements are subject to cancellation or termination clauses that can be applied in the event of non-compliance with the commitments established in the agreements. The average remaining term of the concessions managed by Abengoa is 26 years.

Bioenergy distribution agreements

Abengoa sells bioenergy through medium and long term agreements, mainly in Europe. However, it is not possible to guarantee that these agreements will be renewed.

Backlog of projects in the Engineering and Construction activity

It is important to note that the term “backlog” usually refers to projects, operations and services for which the Company has commitments, and includes projects, operations and services for which it does not have firm commitments. Some of the contracted projects are subject to some type of contingency, usually the requirement to obtain external financing.

All backlog projects are subject to unexpected changes and cancellations, since the projects may be part of the backlog for a long period of time. The engineering and construction agreements that Abengoa signs in order to develop its projects are usually implemented over a period that may exceed two years until the construction phase is complete. This situation increases the possibility of these agreements being prematurely terminated. Such cancellations are governed legally and contractually with established compensation procedures. However, if Abengoa itself is in breach or at fault, the Company may not have the right to receive the compensation that applies in the case of early termination.

Variations in energy costs may negatively impact the Company's results

Some of Abengoa's activities, especially ethanol production and recycling (the latter was performed until Abengoa sold Befesa) involve significant energy consumption, especially gas.

The profitability of activities that are highly reliant on these inputs is therefore sensitive to fluctuations in their prices. Despite the fact that agreements to purchase gas and Abengoa's other sources of energy normally include adjustment or hedging mechanisms against a rise in prices, the Company cannot guarantee that these mechanisms cover all of the additional costs that could be incurred from a rise in the price of gas or other energy inputs (especially in long term agreements signed with clients and in agreements that do not include these adjustment clauses).

Risks derived from associations with third parties to execute certain projects

Abengoa has made investments in certain projects with third parties, which contribute their technical expertise. In some cases, these collaborations are conducted through agreements to create joint ventures in which Abengoa only has partial control. These types of projects are subject to the risk that decisions that may be crucial to the success of the project or about investment in the project, are blocked, or are subject to the risk that the third parties may in some way implement strategies that are contrary to Abengoa's economic interests, resulting in a lower return.

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

In the Engineering and Construction activity, it is important to note that, apart from exceptions, all of the agreements that Abengoa has entered into are "turnkey" construction agreements (also called EPC agreements). Under these agreements the client receives a completed facility in exchange for a fixed price. These projects are subject to very long construction periods that range between one and three years. This type of agreement involves a certain amount of risk since the price offered prior to beginning the project is based on cost estimates that may change over the course of the construction period, which can affect the profitability of certain projects, or even cause significant losses. As well as causing cost overruns, delays can result in deadlines being missed or the need to pay a penalty to the client, depending on what has been negotiated. Furthermore, in most EPC contracts Abengoa is responsible for every aspect of the project, from the engineering through to the construction, including the commissioning of the project. In addition to the general responsibilities for each project, Abengoa must also assume the technical risk and the associated guarantee commitments.

Risks derived from the requirement for a high degree of investment in fixed assets (Capex), which increases the need for third party financing in order to develop pending projects

To carry out its operations, the Company requires a high level of investment in fixed assets, mainly in the Concessions-type Infrastructures activity. The Company is going through an expansion phase for proprietary assets and plants for the Concessions-type Infrastructures activity. Investment, especially in concessions, is recovered over the long term.

The significant need for investment means that the Company is reliant on access to the capital markets and bank funding to finance new projects and to manage its general corporate funding requirements. Difficulties in accessing financing caused by a high level of existing indebtedness, among other factors, could increase the cost of financing, which may even be impossible to obtain, with the subsequent reduction in the internal rate of return of projects that partially depend on the Company's level of borrowing. Nevertheless, Abengoa is committed to carrying out only those projects that fulfil certain internal requirements (yield, strategic fit, limited investment by the group) and for which financing has been obtained. Consequently, Abengoa's growth in this area is related to the availability of funding in the financial environment in which it operates.

Abengoa operates with high levels of debt

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

The main ratio that Abengoa must observe is its net debt over EBITDA, excluding the debt and EBITDA from projects financed under non-recourse formats, as defined in its main corporate finance agreements. As at December 31, 2013, this ratio was 1.69x with the maximum limit being 3.0x until December 30, 2014.

At the end of 2013 the covenant ratio for Net Debt and corporate EBITDA, according to the clauses of the syndicated loan, was 1.69x. This ratio is obtained by calculating the total liquidity of the companies with non-recourse financing; debt is calculated as the amount of the reserve account for debt servicing; and R&D+i expenses for the period are excluded from EBITDA.

In relation to the non-recourse debt of project companies, it should be noted that the majority of the Company's projects are developed in regulated environments, in which the debt is repaid over a long time frame according to the concession agreement, a regulated tariff or, if appropriate, power or water purchase agreements, so that the gearing (meaning the proportion of debt to capital) of these projects is higher than in financing with recourse to the parent company or other group companies (corporate financing). Since non-recourse financing is used for most projects, it makes sense to analyze debt at two separate levels (non-recourse and corporate, since the parent company is only liable for corporate debt).

Notwithstanding the above, a breach of the payment obligations assumed by borrowing companies (usually project companies) could have major consequences for the Company and its group, including but not limited to lower dividends, lower interest or payments to be received by Abengoa (which Abengoa then uses to repay corporate debt) or losses incurred in the event that guarantees provided by project companies under non-recourse financing agreements are enforced.

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Likewise, the current high level of indebtedness could increase in the future due to Capex investments in projects using project finance formats, in which the associated debt will be drawn down as the project is implemented and for which the financing is already committed. This high level of debt could require the use of a significant part of the operational cash flow in order to pay the debt, thereby reducing the capacity to finance working capital, future Capex, investment in R&D+i or other general corporate objectives, as well as limiting the Company's capacity to obtain additional financing.

Abengoa estimates that the cash flows generated by its projects and the level of cash and credit available under their financing agreements, will be sufficient to meet the Company's future liquidity requirements for at least 12 months. Nevertheless, if debt should increase in the future as a result of developing multiple new projects and the interest payments associated with this, operating cash flow, cash and other resources may not be sufficient to cover the Company's payment obligations when they fall due or to finance its liquidity needs.

In addition to the current high level of gearing, the terms of the agreements for issuing debt and other financing agreements that regulate debt issuance, enable both Abengoa and its subsidiaries, joint ventures and associated entities to access a significant amount of additional debt in the future, including secured debt, which could increase the aforementioned risks.

As at the date of these Consolidated Financial Statements, Abengoa has not breached any of its corporate financing agreements, which could give rise to the early cancellation of these agreements.

Nevertheless, it should be noted that a breach of these obligations (for example, the requirement to maintain certain financial ratios, restrictions on dividend payments, restrictions on granting loans and guarantees, and restrictions on the availability of assets) agreed by the Company with various financial institutions that have provided third party financing, could lead to the early cancellation of payment obligations under the corresponding finance agreements (and other associated agreements) and, if applicable, the enforcement of guarantees that may have been granted in their favor. Likewise, such a breach could give rise to the early cancellation not only of the aforementioned agreements, but also those that have specific cross default clauses (which the majority of corporate borrowing agreements have) caused by payment default.

In addition, it should be remembered that Abengoa could be forced into early repayment of the debt in financing agreements or to redeem convertible notes and bonds (should the note and bondholders demand it) in the event of a change of control in the Company.

Risk of obtaining less net profit from asset rotation

Abengoa implements a selective rotation strategy of its concession assets (mainly solar plants, electricity transmission lines, desalination and cogeneration plants), through which the Company occasionally divests certain assets in order to maximize the expected return depending on market conditions, asset maturity and Abengoa's strategy in relation to these assets, while monetizing the value of these projects ahead of schedule in order to maximize shareholder return.

However, Abengoa cannot guarantee that it will be able to obtain the same level of net profit as it has to date, in the future, since the Company's capacity to generate new business opportunities or opportunities with similar returns to those it currently obtains will depend on market conditions and other factors beyond Abengoa's control.

The Company has a controlling shareholder

As at the date of the Consolidated Financial Statements, Inversión Corporativa I.C., S.A. owns 58.18% of the voting rights in Abengoa.

Consequently, this company controls Abengoa under the terms established in Article 42 of the Code of Commerce, and may therefore exercise influence over certain subjects that require shareholders' approval, notwithstanding the protection and separate voting rights of the Company's Class B shares in certain situations, according to the Company's bylaws.

Conflicts could arise from differences between the interests of Inversión Corporativa I.C., S.A. and the remaining shareholders, which may be resolved by the controlling shareholder in a way that does not suit the interests of the other shareholders.

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Nevertheless, Inversión Corporativa IC, S.A. has signed a shareholders' agreement with the Company through which it agrees, among other things, to (i) only exercise its voting rights up to a maximum of 55.93% (the percentage of votes that it had at the date of signing the shareholders' agreement) in cases in which, as a result of exercising the right to convert Class A shares into Class B shares, which is included in the Company's bylaws, the total voting rights that it holds as a percentage of the total voting rights of the Company increases; and (ii) that the percentage represented at any given time by the number of shares that it holds with the right to vote (whether these are Class A shares or Class B shares) of the total number of Company shares, will not be less than one quarter of the percentage represented by the voting rights that these shares attribute to Inversión Corporativa IC, S.A. at any given time, in relation to the Company's total voting rights (in other words, that its voting rights will not be greater than four times its financial rights); and that, should this situation arise, it will sell the necessary amount of Class A shares or will convert them into Class B shares in order to maintain this ratio.

Similarly, through the shareholder agreement with First Reserve Corporation (another shareholder in the Company), Inversión Corporativa IC, S.A. has agreed that while FRC or any of its related companies owns Abengoa Class B shares or any other instrument that is convertible or exchangeable for Abengoa Class B shares, they will not propose or request the Board of Directors to recommend to shareholders any modification to the Company's bylaws that adversely affects the equal rights between Class B and Class A shares in relation to the distribution of dividends or similar distributions as established in the bylaws and that if this proposal were to be submitted by another shareholder, or by the Board of Directors, they will vote against it.

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

Abengoa operates in a competitive environment in its solar-thermal business. In general, renewable energy competes with conventional energies that are cheaper and more competitive. Renewable energy is currently subsidized in order to bridge the difference in cost and it has various specific implementation targets. This support for renewable energy may not continue in the future.

It is possible that some of the Company's current competitors or new participants in the market could respond more quickly to regulatory changes or develop a technology with significantly different production costs. Furthermore, existing or future competitors may be able to dedicate more financial, technical and management resources to developing, promoting and selling their electricity.

The results of the Engineering and Construction activity significantly depend on the growth of the Company's Concession-type Infrastructures and Industrial Production activities.

The Engineering and Construction business is Abengoa's most important activity in terms of revenues. A significant part of this activity depends on the construction of new assets by the Concession-type Infrastructures activity (especially power generation plants, transmission lines and water infrastructures) and the Industrial Production activity (bioenergy plants).

If Abengoa is not successful in winning new contracts in its Concession-type Infrastructures activity, the revenues and profitability of the Engineering and Construction activity will suffer.

The evolution of interest rates and the Company's hedging may affect its results

In the normal course of its business, the Company is exposed to various types of market risk, including the impact of exchange rate movements. Part of its borrowing accrues interest at variable rates, normally referenced to indicators such as EURIBOR and LIBOR. However none of its corporate debt is exposed to interest rate changes until 2014 (fixed rate debt and debt with interest rate hedges). Any increase in interest rates would increase the financial costs associated with the variable interest rate, and would increase the cost of refinancing existing borrowing and issuing new debt.

The evolution of exchange rates and the Company's hedging could affect its results

Abengoa is exposed to exchange rate risk in transactions denominated in a currency that is not the functional currency of each of the companies that comprise its group.

As the group's international activities grow, a significant part of its transactions may be carried out in currencies other than the functional currency of each company.

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The main exposure to exchange rate risk is US dollar-Euro.

Abengoa's strategy to reduce its exposure to exchange rate movements in situations in which there is no natural hedge (by adjusting future cash flows from revenues denominated in different currencies to match principal and interest payments in the same currencies) consists of using foreign exchange futures contracts and exchange rate swaps.

Internationalization and country risk

Abengoa has projects on five continents, some of them in emerging countries. Abengoa's different operations and investments may be affected by different types of risk related to the economic, political and social conditions of the different countries in which it operates, especially countries with a higher degree of instability in the aforementioned factors (Algeria, Angola, China, India, Morocco, Ghana and other Latin American countries). These types of risk are usually jointly referred to as "country risk" and include:

- The effects of inflation and/or possible devaluation of local currencies;
- Possible restrictions on capital movements;
- The possibility of expropriation, asset nationalization or increased intervention by governments in the economy and the management of companies, as well as not granting or revoking previously held licenses;
- The possible imposition of new and higher taxes or levies;
- The possibility of economic crises occurring, or situations of political instability or public disorder.

Abengoa's policy is to cover the country risk using insurance policies and transferring the risk to financial institutions by means of the corresponding financing agreements and other mechanisms.

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

Abengoa's projects are exposed to various types of risk that require appropriate coverage in order to mitigate the effects should they occur. Despite Abengoa's attempts to obtain the correct coverage for the main risks associated with each project, it is not possible to verify that this is sufficient for every type of loss that could arise.

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

Furthermore the insurance policies taken out are subject to review by the insurance companies. In the event that insurance premiums increase in the future and these increases cannot be passed on to clients, these additional costs could have a negative impact for Abengoa. However, no significant increases have occurred in the cost of premiums in the last 12 months.

The Company's activities may be negatively affected by catastrophes, natural disasters, adverse weather conditions, unexpected geological conditions or other environmental circumstances, as well as by acts of terrorism at any of its sites

In the event that an Abengoa site is affected by a fire, flood, adverse weather conditions or any other type of natural disaster, acts of terrorism, power outages and other catastrophes, or in the event of unexpected geological conditions or other unexpected environmental circumstances, the Company may be unable or only partially able to continue operating at this. This could result in lower revenues from the affected site while the problems exist and lead to higher repair costs.

Abengoa has taken out insurance against natural risks or acts of terrorism and the loss of earnings that may arise from stoppages.

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Tax evasion and product tampering in the fuel distribution market in Brazil could distort market prices

In recent years, tax evasion and product tampering have been one of the main problems for fuel distributors in Brazil. In general, such practices combine both tax evasion and fuel tampering by mixing gasoline with solvents or adding anhydrous ethanol in quantities greater than 25% allowable by the law (taxes on anhydrous ethanol are lower than those for hydrated ethanol and gasoline). Taxes account for a highly significant proportion of the cost of fuel sold in Brazil.

Abengoa operates in an activity sector that is closely linked to the economic cycle

The global economic and financial situation and difficulties in accessing financing, the sovereign debt crisis, fiscal deficits and other macroeconomic factors may negatively affect demand from existing or potential clients.

Specifically, the reduction in national infrastructure budgets is impacting Abengoa's results, since a proportion of the projects are promoted by governmental bodies, which provide the Company with a volume of revenues that would be difficult to substitute with private investment, especially in the current economic environment.

As mentioned, although the economic cycle affects all of the Company's business, some activities are more dependent on the economic outlook than others.

The demand for bioenergy, like the demand for gasoline or diesel, is relatively inelastic and has not decreased in a significant way despite high fuel prices.

However, Abengoa's Concession-type Infrastructures activity is much less dependent on the economic outlook, since revenues from this activity primarily come from long-term agreements, which neutralize the fluctuations associated with the economic situation. However, as in Engineering and Construction, it is a Capex intensive activity and could be affected by difficulties in access to financing.

Risks derived from sensitivity in procuring the necessary raw materials for producing bioenergy and volatility of the end product price

Raw materials account for approximately 60 to 70% of bioenergy production costs. The increase in commodity prices (mainly grain and gas) or a decrease in end product prices (ethanol) could mean that operating Abengoa's production plants becomes unprofitable. To mitigate the risk associated with these prices as much as possible, Abengoa has a policy of not committing its production and sale of biofuels until it has ensured its supply of the necessary raw materials.

Abengoa's activities could be negatively affected in the event of adverse public opinion about them

Certain people, associations or groups may oppose Abengoa's projects, such as the construction of renewable energy plants, recycling plants (this activity was performed by Abengoa until it sold Befesa), etc.

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

If part of the population or a particular company decides to oppose the construction of a project or takes legal action, this could make obtaining the corresponding administrative authorizations difficult. In addition, legal action may give rise to the adoption of precautionary measures that force construction to stop, which could cause problems for commissioning the project within the scheduled time frame or achieving Abengoa's business objectives.

Furthermore, adverse public opinion about the use of grain and sugarcane cannot be ruled out, and to a lesser extent regarding the production of bioethanol, since these are basic consumer goods that are significantly associated with shortages in the food market. In response to public pressure, governments may adopt measures to ensure that the grain and sugar is diverted to the food market instead of bioethanol production, causing problems for existing production activities and Abengoa's future expansion plans.

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Construction projects related to the Engineering and Construction activity and the facilities of the Concession-type Infrastructures and Industrial Production activities are hazardous workplaces

Employees and other personnel that work on Abengoa's construction projects for the Engineering and Construction activity and at the facilities of the Concession-type Infrastructures and Industrial Production activities are usually surrounded by large scale mechanical equipment, moving vehicles, manufacturing processes or hazardous materials, which are subject to wide-ranging regulations when they are used (for example, occupational health and safety legislation and other applicable regulations). Projects may involve the use of hazardous or highly regulated materials that, if not handled correctly or spilt, could expose the Company to claims that could result in all types of civil, criminal, administrative liabilities (fines or Social Security benefits surcharges).

Despite the fact that the Company has functional groups that are exclusively responsible for monitoring the implementation of health and safety measures, as well as working procedures that are compatible with protecting the environment, throughout the organization (including at construction and maintenance sites), any failure in complying with these regulations could result in liability for the Company. Similarly, Abengoa may be unaware or unable to control compliance with occupational health and safety regulations in the companies that it subcontracts. In the event of non-compliance Abengoa could be found liable.

Historical safety levels are a critical aspect for Abengoa's reputation. Many of its clients expressly require the Company to comply with specific safety criteria in order to be able to submit bids, and many contracts include automatic termination clauses or withdrawal of all or part of the contractual fees or profits in the event that the Company fails to comply with certain criteria. Consequently, Abengoa's inability to maintain adequate safety standards could result in lower profitability or the loss of clients or projects.

As at the date of these Consolidated Financial Statements, no agreements have been terminated, no penalties have been imposed and no significant decreases in earnings have occurred due to failures to comply with safety-related obligations.

The existence of two share classes, Class A and Class B, with different voting rights, could deter third parties from carrying out transactions to take control of the Company

There are two main factors that could deter third-party entities from carrying out certain corporate transactions, such as a merger or acquisition, or any other transaction involving a change of control in the Company, which shareholders of Class B shares could consider as beneficial, which in turn could negatively affect the price of Class B shares, which are the following:

- (i) The existence of two share classes with different voting rights and the concentration of voting rights in a single shareholder, Inversión Corporativa IC, S.A., and in the Class A shares; and
- (ii) The right of redemption. Abengoa's bylaws grant a right of redemption to Class B shares in the event that a takeover bid is made and completed for all of the Company's shares with voting rights, through which the offeror gains control of the Company and the price offered for Class B shares is not the same as Class A shares. This right of redemption enables Class B shareholders that have not been offered the same price, to request the Company to redeem their shares at the price offered for Class A shares in the tender offer, with the exceptions and limitations established in the Company's bylaws. This right of redemption does not apply in the event of partial and voluntary tender offers.

Class B share price volatility

The price of the new shares when admitted to trading shall be determined by the Madrid stock exchange as the lead exchange, based on the closing price of Abengoa's Class B shares on the day prior to the start of their listing.

The future price of Class B shares may fluctuate significantly. Factors such as the evolution of the Company's operating results, negative publicity, changes in equity analysts' recommendations about the Company, changes in the global conditions of financial markets, securities markets or the sectors in which the Company operates, could all have a significant negative impact on the price of the Company's Class B shares.

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Risk of significant sales of shares

The sale of a significant number of Abengoa Class B shares in the market after they are admitted for trading, or the perception in the market that such sales may take place, could damage the price of the Class B shares or the Company's ability to raise capital through future issues.

Abengoa, Inversión Corporativa IC, S.A., Finarpisa, S.A. and the members of the Board of Directors and managers of the Company (with the exception of Mr Claudio Santiago Ponsa), have agreed not to offer, sell, agree to sell, pledge or in any way dispose of (or formalize any transaction designed to dispose of or by means of its execution could reasonably result in the disposal [by means of a real disposal or effective financial disposal derived from a financial agreement, or in any other way] by the Company or a Company subsidiary or any person with a mutual interest in the Company or a Company subsidiary) shares in the Company (whether Class A shares, Class B shares or ADSs that represent the latter), directly or indirectly, or securities convertible into the Company's shares, nor establish or increase an equivalent short position, nor settle or decrease an equivalent long position, and to publically announce their intention not to carry out any of the aforementioned transactions, from the date of that the format of the capital increase is defined until 180 days have passed from the date that the Class B shares are admitted to trading on the NASDAQ Global Select Market in the USA through ADSs represented by ADRs, which occurred on October 17, 2013. This period could be extended by up to 18 additional days from the end of the period in the event that the Company publishes results or announces their publication during the last 17 days of the originally agreed period.

Possibility of differences in the listed prices of Class A shares and Class B shares despite the fact that both share classes have similar financial rights

Despite the fact that both share classes have equivalent financial rights and there is a controlling shareholder, Class A shares and Class B shares may be listed with different prices due to the difference in voting and other non-financial rights, among other reasons.

In particular, there is a risk that a third party may launch a takeover for 100% of the Company's shares offering a different price for Class A and Class B shares. To mitigate this risk, Article 8 of Abengoa's bylaws includes a right of redemption for Class B shares under the terms and conditions established therein. This right of redemption does not apply in the event of partial and voluntary tender offers.

Shareholders in countries with non-euro currencies may incur additional risk associated with variations in the exchange rate in relation to holding the Company's shares

The Company has requested admission to trading of the Class B shares on the US stock market through ADSs denominated in US dollars. With regards to holding the Company's new shares, shareholders in countries with non-euro currencies incur an additional risk due to variations in the exchange rate. Therefore, the price of the ADSs and the dividends paid may be unfavorably affected by fluctuations in the euro-US dollar exchange rate.

4.1.3. Concentraciones de clientes

During the years 2013 and 2012 there is no client that contributes more than 10% of revenue

4.2. Financial risk**4.2.1. Market risk**

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

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

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

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

In the event that the exchange rate of the US Dollar had risen by 10% against the Euro as of December 31, 2013, with the rest of the variables remaining constant, the effect in the Consolidated Income Statement would have been a loss of €8,496 thousand (loss of €10,602 thousand in 2012) mainly due to the US Dollar net liability position of the Group in companies with Euro functional currency and an increase of €1,192 thousand (decrease of €2,440 in 2012) in other reserves as a result of the cash flow hedging effects on highly probable future transactions.

Details of the financial hedging instruments and foreign currency payments as of December 31, 2013 and 2012 are included in Note 14 of these Notes to these Consolidated Financial Statements.

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

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

In non-recourse financing (see Note 19), as a general rule, the Company enters into hedging arrangements for at least 80% of the amount and the timeframe of the relevant financing.

In corporate financing (see Note 20), as general rule, 80% of the debt is covered throughout the term of the debt; in addition, in 2009, 2010 and 2013, Abengoa issued notes at a fixed interest rate.

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

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

In the event that Euribor had risen by 25 basic points as of December 31, 2013, with the rest of the variables remaining constant, the effect in the Consolidated Income Statement would have been a profit of €13,669 thousand (profit of €4,004 thousand in 2012) mainly due to the increase in time value of hedge interest rate options (caps and collars) and an increase of € 48,050 thousand in other reserves (increase of €52,163 thousand in 2012) mainly due to the increase in value of hedging interest derivatives (swaps, caps and collars).

A breakdown of the interest rate derivatives as of December 31, 2013 and 2012 is provided in Note 14 of these Notes to the Consolidated Financial Statements.

- Risk of change in commodities prices: arises both through the sale of the Group's products and the purchase of commodities for production processes. The main risk of change in commodities prices for the Group is related to the price of grain, ethanol, sugar, gas, and aluminum (and zinc until the sale of the Company's shareholding in Befesa).

In general, 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, 2013, if the price of grain had increased by 10%, with the rest of the variables remaining constant, the effect in the Consolidated Income Statement would have been null (loss of €35,092 thousand in 2012) and an increase in other reserves of € 4,567 thousand (decrease of €16,391 thousand in 2012) due to open derivative contracts primarily on grain purchases held by the Group.

At December 31, 2013, if the price of ethanol had increased by 10%, with the rest of the variables remaining constant, the effect in the Consolidated Income Statement would have been null (profit of €11,035 thousand in 2012) and an increase in other reserves of €60,040 thousand (null in 2012) due to open derivative contracts primarily on ethanol purchases held by the Group.

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A breakdown of the commodity derivative instruments as of December 31, 2013 and 2012 is included in Note 14 to these Consolidated Financial Statements.

In addition, certain Bioenergy Business Group companies engage in purchase and sale transactions in the grain and ethanol markets, in accordance with a management policy for trading transactions.

Management has approved and supplemented trading strategies to control the purchase and sale of forward and swap contracts, mainly for sugar, grain and ethanol, which are reported on a daily basis, following the internal procedures established in the Transactions Policy. As a risk-mitigation element, the company sets daily limits or 'stop losses' for each strategy, depending on the markets in which it operates, the financial instruments purchased and the risks defined in the transaction.

These transactions are measured monthly at fair value through the Consolidated Income Statement. In 2013, Abengoa recorded a profit of €15 thousand (profit of €11,768 thousand in 2012), €15 thousand of which related to profit on settled transactions (€11,768 thousand in 2012) and €0 thousand to open derivative contracts valued at the year ended (€0 thousand in 2012).

4.2.2. Credit risk

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

a) Clients and other receivables.

b) Current financial investments and cash.

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

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

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

In general, Abengoa considers that the most significant risk related to Clients and other receivables 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 typically relates to technical problems, i.e. associated with the technical risk of the service provided and, therefore, within the company's control.

If the company concludes that the risk associated to the contract has been transferred to the financial institution, the receivable is derecognized in the Consolidated Statement of Financial Position at the time it is transferred, in accordance with IAS 39.20.

An ageing of trade receivables as of December 31, 2013 and 2012 is included in Note 15 'Clients and other receivable accounts'. The same note also discloses the credit quality of the clients as well as the movement on provisions for receivables for the years ended December 31, 2013 and 2012.

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

4.2.3. Liquidity risk

See Section 3. Liquidity and capital resources

4.2.4. Capital risk

The Group manages capital risk to ensure the continuity of the activities of its subsidiaries from an equity standpoint by maximizing the return for the shareholders and optimizing the structure of equity and debt in the respective companies or projects.

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

- cash flows generated by conventional businesses;
- financing of new investments through non-recourse financing, which also generates induced business for conventional businesses;
- corporate financing, either through banks or capitals markets;
- issuance of new shares of subsidiaries through organized markets;
- assets rotation or divestitures, such as divestiture of Befesa or the sale of mature concessional shares, the sale of a transmission line concession activity in Brazil and a water concession activity in China;
- capital increase carried out for €517.5 million in 2013.
- The leverage objective of the activities of the company is not measured based on the level of debt on own resources, but on the nature of the activities:
- for activities financed through Non-recourse Financing each project is assigned a leverage objective based on the cash and cash flow generating capacity, generally, of contracts that provide these projects with highly recurrent and predictable levels of cash flow generation;
- for activities financed with Corporate Financing, the objective is to maintain reasonable leverage, defined as 2.5 times corporate Ebitda over Net Corporate Debt (excluding the Ebitda and the non-recourse financing) in 2013.

4.3. Risk management and internal control

During 2013, Abengoa continued to grow, carrying on activities in more than 70 countries. To deal with this growth in a safe and controlled manner, Abengoa has a common business management system that allows it to work on an efficient, coordinated and consistent basis.

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

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These elements constitute an integrated system that allows for proper risk management and controls at all levels of the organization.

Business risk

Common management systems represent Abengoa's internal rules and all its business units and its methodology for assessing and controlling risks. They also represent a common culture for the various businesses of Abengoa and comprise 11 standards that define how management has each of the potential risks included in the risk model of Abengoa. Through these systems risks are identified and appropriate hedging and control mechanisms are defined.

Common management systems include specific procedures covering any action that may be a risk to the organization, both financial and non-financial. They are available to all employees on computer regardless of geographical location and job title.

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

Risks relating to the reliability of financial information

Abengoa began in 2004 an internal process of aligning its internal control structure over financial reporting with the requirements imposed by Section 404 of the SOX Act ('Sarbanes Oxley Act').

The purpose of SOX is to ensure transparency in the management, accuracy and reliability of the financial information published by companies listed on the U.S. market ('SEC registrants'). This law requires these companies to submit their internal control system to a formal audit by its financial auditor who, in addition, will provide an independent opinion on it. According to instructions of the 'Securities and Exchange Commission' (SEC), this law is mandatory for companies and groups listed in the U.S. market.

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Abengoa considers this legal requirement as an opportunity for improvement and far from satisfied with the conditions set out in the law, we have tried to develop the most of our internal control structures, control procedures and assessment procedures applied.

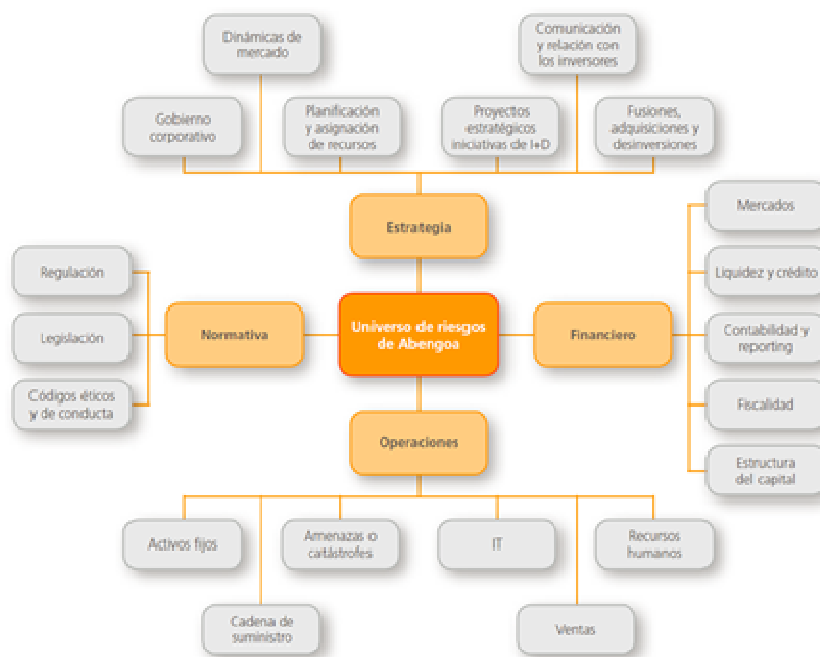
The initiative comes in response to the quick expansion of the group in recent years, and expectations of future growth, and to continue to provide investors with accurate, timely and complete financial information.

During 2012 Abengoa completed the implementation of SAP GRC Process Module Control. This tool provides a technology solution with the purpose of automating our internal control system and compliance monitoring, facilitating compliance and increasing security for the Company's operations.

The universal risk model

In 2011, Abengoa finished integrating its universal risk model, the company's chosen methodology for quantifying the risks that compose the risk management system. The goal is to obtain a comprehensive view of them, designing an efficient response system and aligned with business goals of the company.

Abengoa's universal risk model is made up of four categories, 20 sub-categories and a total of 57 principal risks for the business. Each these risks has an associated series of indicators that allow its probability and impact to be measured and the degree of tolerance to the risk to be defined, thus allowing for subsequent risk assessment and monitoring.



The risks identified in this model are evaluated considering two parameters:

- Likelihood of happening: Degree of frequency with which you can ensure that a particular cause will cause a negative impact event with Abengoa.
- Impact on Abengoa: Set of potential negative effects on Abengoa's strategic objectives.

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Pursuant to the allocation probability and impact indicators for all the risks in the risk model Abengoa universal risks are qualified in 4 types (lower risk, tolerable risk, severe risk and critic risk). Each of these categories is treated with a risk management different strategy.

Abengoa has completed the implementation of Archer eGRC, technology solution that automates the process of identification, assessment, response, monitoring and reporting of risks that make up the universal risk model to keep all activities and sectors in which Abengoa operates.

During 2012, this application has been consolidated as a tool for calculation and reporting of identified risks. Since its introduction, Abengoa has been working on the application synchronization with other tools within the group with the aim of increasing process automation.

5.- Anticipated future trends of the group

To estimate the outlook for the Group, it is important to take into account the evolution and development achieved in recent years, which forms the basis of the company's growth prospects in the medium term. The Group's strategy in the medium term is based on the growing contribution of the activities linked to the markets for the environment, renewable fuels (bioenergy), solar power and the ongoing development of the engineering and construction activities.

Furthermore, the strengthening of Abengoa's capacity in the environmental services market through Befesa Medio Ambiente, S.A.; a greater bioethanol production capacity, as well as the development of the solar business will all contribute to boosting the company's long-term outlook. In so far as it achieves its current forecasts, Abengoa has new activity base that will offer stability and continuity in the coming years.

With its current reserves, taking into account the improved flexibility of the organizational structure, the specialization and diversification of activities, and the investment opportunities identified in the domestic market and the company's competitiveness in the international market, as well as the exposure of part of its activities to the sale of commodities and non-Euro currencies, the Group is clearly in a position to continue making positive progress in the future.

Strategy

Last year, 2013, was better than expected, offering glimpses of growth possibilities that will help to put the financial crisis behind us. However, climate change continues to lie at the heart of the problems facing mankind. The UN's Intergovernmental Panel on Climate Change is warning that the planet's average temperature is increasing while glaciers melt, sea levels rise and CO2 emissions grow, all of which are attributed to humankind with 95 % certainty. The Stern Report states that there is still no trend towards a reduction in emissions, so global warming will continue, forcing hundreds of millions of people from their current homes by the year 2100.

According to the World Energy Outlook for 2013, the decision facing the world requires greater emphasis on energy efficiency. Our sector will play a fundamental role in whether climate change targets are achieved or not. The current trend is taking us towards a 3.5°C long-term rise in the planet's temperature. To avoid this we have to accelerate the rate of renewable energy growth, currently around 2.5 % per annum.

Our company has viable solutions to these challenges. Knowledge creation and a commitment to technology form the basis of our competitive advantage in the energy and environment sectors, enabling Abengoa to become a scientific and technological leader in our business areas and a privileged place for training professionals in R&D and innovation.

Abengoa Research (AR), the research institute launched in 2011, is making highly significant progress in producing and storing solar power at competitive prices, transforming municipal solid waste into bioethanol (W2B), promoting energy vectors such as hydrogen or second-generation bioethanol, the desalination and reuse of industrial water and water from other sources, and developments related to enzymes and biomass.

Abengoa has also increased the number of technology patents it holds to 261 and is acknowledged as the leading Spanish company in the international patent applications ranking. These achievements are the result of the work carried out by the company's team of 781 researchers, as well as investment in R&D and innovation projects totaling € 426 million during the year.

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We are implementing the scheduled investments in our strategic plan, arranging financing for the corresponding projects and working with partners that can make our investments sustainable. Abengoa's projects map has expanded this year to include countries such as Israel, Sri Lanka, Ukraine and Angola, while we have consolidated our leadership position in countries like Brazil, USA, South Africa, Chile, Mexico, Peru and Uruguay.

Abengoa's global presence enables us to make the most of our opportunities for growth. This year revenues have grown by 17% to € 7,356 million compared to 2012, and this growth is also reflected in our results, with an 44 % increase in EBITDA to € 1,365 million.

At the financial level, this year we have successfully completed our listing on the NASDAQ stock exchange in the USA through a capital increase of € 517.5 million, we have raised € 1,280 million from five bond issues and made divestments totaling € 804 million, all of which have enabled us to cover the company's financing requirements for 2014, reduce our dependency on the banking market following the partial repayment of the syndicated loan, and to extend the maturity profile of our debt.

Corporate net debt at the end of 2013 was 2.2 times corporate EBITDA, totaling € 2,124 million. We ended the year with a cash position of € 3,877 million, which will allow us to meet our investment and debt commitments scheduled for 2014.

We believe that Abengoa will continue to grow in 2014, strengthening its financial structure and consolidating a sustainable asset rotation program.

Engineering and construction

Revenues have grown by 27 % to € 4,808 million, bringing the backlog at the end of the year to € 6,796 million. In the USA we have commissioned the world's largest solar-thermal plant, Solana, in Arizona, which uses a pioneering system that provides six hours of energy storage for when there is no sun. Work also continues on construction of the solar-thermal plant in California, which has the same capacity. Furthermore, the US power company Portland General Electric (PGE) has selected Abengoa to develop a 440 MW combined cycle plant.

We have also been selected to construct the largest combined cycle plant in Poland, transmission lines in Europe, Latin America, Africa and Australia, and new desalination plants in the Middle East and North Africa.

Concession-type infrastructures

We have generated more than 5,700 GWh of power in solar, hybrid and cogeneration plants during 2013, as well as commissioned three new plants in Abu Dhabi (Shams 1), USA (Solana) and Spain (the Extremadura Platform) with a total installed capacity of 480 MW. We have also produced 102.1 ML of desalinated water.

The total capacity (installed and under construction) of our power plants in the USA, Abu Dhabi, South Africa, Algeria, Israel, Mexico, Brazil, Uruguay, Spain, India and the Netherlands is 2,912 MW. At present, we are also constructing new desalination plants in Algeria and Ghana, and electricity transmission lines in Brazil, Peru and Chile.

Industrial production

The construction in Hugoton, Kansas (USA), of the first industrial plant to produce second-generation ethanol using Abengoa's proprietary technology and the development of the first Waste to Biofuels pilot plant in Salamanca (Spain) are two examples of our research and innovation work from recent years becoming a reality.

Growth and diversification

The growth model is based on simultaneously managing businesses with different profiles and characteristics. The cash flows from our traditional activities are reinvested in growing our emerging businesses. Rotating our investments is part of our business model and we have numerous options for the future that will evolve through to maturity. Abengoa Hydrogen and Abengoa Energy Crops are two such possibilities, in addition to other technological opportunities that Abengoa Research and the business groups are obtaining from their research.

The company's international activities account for 84 % of total revenues, including our businesses in USA with 28 %, Latin America that represent 29 %, Asia 4 %, Europa 12 % and Africa 11 %.

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Human capital, employment and safety

At Abengoa we know that the future depends on the creativity of the present, which in turn relies on the training and performance of the people that are part of the company. We are well aware of this fact and place special emphasis on our employees' professional development and training. In 2013 we carried out more than 1.8 M hours of training, many in collaboration with some of the world's most prestigious universities.

It is also important to highlight the constant preoccupation in our corporate culture for the safety of our teams and operations around the world, which is managed through a strict system of quality and occupational health and safety at every level of the organization.

Audit

In line with our commitment to transparency and diligence, we have subjected our internal control system to an independent valuation process, in accordance with PCAOB auditing principles. The Annual Report therefore includes five independently verified reports on the following areas: financial statements, SOX (Sarbanes Oxley) internal control system, Corporate Social Responsibility Report, Corporate Governance Report and the design and application of the company's risk management system in accordance with the specifications of the ISO 31000 standard.

Corporate social responsibility and sustainable development

In a future defined by innovation and the challenges associated with sustainable development, Abengoa is committed to responsible management to reduce the negative impacts of its activities, contribute to developing the communities where we are present and building trusted partnerships with stakeholders. As a result of this commitment, in 2008 Abengoa designed a strategic corporate social responsibility plan and in 2013 we invested more than € 9.1 million in social actions through the Focus-Abengoa Foundation.

During 2013 we have intensified our partnerships with suppliers to reduce their impact and improve operations across the whole value chain.

Once again we have used the Corporate Social Responsibility Report, prepared in accordance with the principles of the Global Reporting Initiative (GRI) and the AA1000 sustainability assurance standard, to report on our social, environmental and financial performance during 2013, as well as the objectives, challenges and areas for improvements for the coming years.

We offer and use the Corporate Social Responsibility e-mail address (rsc@abengoa.com), our website (www.abengoa.com), our Twitter and LinkedIn profiles and our corporate blog (blog.abengoa.com) for this purpose.

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

6.1. Abengoa has continued to increase its efforts in R&D+i (research, development and innovation) throughout 2012 (despite the ongoing global technology crisis), in the belief that these efforts require continuity which should not be compromised by crises or economic cycles if it is to achieve results.

Furthermore, the Group has strengthened its presence and in some cases its leadership, in various institutions and public and private forums which encourage cooperation between large technology companies, in which the short and long term future of the R&D+i activity is decided.

6.2. The established program for these types of activities has been largely achieved. Abengoa, thanks to those responsible for this strategy in each business area, has strived every day to innovate its technology as demanded by its activities, primarily focusing on the following objectives:

- Continuously and closely following the technologies which could affect each area of the business.
- Selection of a portfolio of technologies that will maximize the competitive advantages of the Group.
- The assimilation and implementation of technology available through transfer agreements.
- Selecting the optimum path for the development of technologies.

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- Determining the marketing programs for the technology developed.
- Support for innovation and technology from institutions/governments.

During 2013, Abengoa made significant Research, Development and Innovation (R&D&i) investment efforts, investing a total of €426,358 thousand (€91,260 thousand in 2012) through the development of new technologies in different areas of business (solar technology, biotechnology, desalination, water treatment and reuse, hydrogen, energy storage and new renewable energies).

- 6.3.** Last year, 2013, demonstrated Abengoa's strategic commitment to technology as a vector for growth and a source of competitive advantage in its energy and environment sectors. In order to strengthen its R&D model, Abengoa Research (AR), the company that heads Abengoa's technological development, has been structured into five scientific-technological areas aligned with the businesses in which the company applies its technology, consisting of biotechnology, bioenergy, waste; processes, water and hydrogen; and electrical systems and power electronics. Through these areas, Abengoa develops and strengthens the company's existing and future technologies.

The main development assets come from technologies that enable progress to be made in Abengoa's strategic R&D areas; technologies for high-performance thermo-electric solar plants, bio-refineries, treating municipal solid waste for energy production, and water treatment plants.

To increase its technological capacity, Abengoa has added two research laboratories to its existing assets. The Soland laboratory specializes in solar technology, while the Abengoa Research laboratory is equipped with experimental facilities and covers the majority of the company's scientific areas. Furthermore, this year the Technology Surveillance and Patents Office, which was created in 2012 and manages all the intellectual property activities, has consolidated its position. To date, Abengoa has filed 261 patent applications, of which 106 have been granted, with the number of patent applications rising by more than 20% compared to 2012.

In solar-thermal technology it is worth noting the start of construction of Khi Solar One, the world's first commercial plant using tower technology and superheated steam, in South Africa. The 50 MW plant is expected to come into operation at the end of 2014.

In the area of biofuels, Abengoa has continued to construct the commercial bio-refinery plant in Hugoton, which will come into operation in the second quarter of next year. The technology used in this plant has been developed and proven by Abengoa over the last ten years at the second generation (2G) demonstration plant in Salamanca, Spain. A waste to biofuels (W2B) demonstration plant has also been operated at the same complex, which is capable of obtaining second-generation biofuels from recovered municipal solid waste (MSW). In addition to this progress, Abengoa continues to develop various processes to obtain high value-added bio-products from biomass, such as a catalyst that has been patented that enables biobutanol to be produced from ethanol using a catalytic process. This technology offers an additional advantage since it can be applied at the company's existing conventional biofuels facilities.

Taking into account the investment in Khi Solar One, Hugoton and the waste to biofuels demonstration plant and the rest of our activities expensed or capitalized, total investment in R&D during the year has amounted to € 426,358 thousand (€91,260 thousand in 2012).

Progress also continues in developing and optimizing various technologies related to desalination, treating drinking water and other water treatments and reuse, all based on improvements in the operating conditions of ultra-filtration membranes, which are fundamental for achieving high levels of water purity and quality..

7.- Acquisition and disposal of treasury shares

- 7.1.** Abengoa, S.A. and its subsidiaries have complied with all legal requirements regarding companies and treasury stock (see Note 8 of this report).
- 7.2.** The parent company has not pledged its shares in any type of mercantile transaction or legal business, nor are any Abengoa, S.A. shares held by third parties which could act on its behalf or on behalf of group companies.

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- 7.3.** Finally, it should be noted that potential reciprocal shareholdings established with Group companies are temporary and comply with the requirements of the consolidated text of the Spanish Capital Companies Act.
- 7.4.** As of December 31, 2013 treasury stock amounted to 40,009,307 shares (14,681,667 shares in 2012), which 5,382,896 are class A shares and 34,626,411 are class B shares.

Regarding the operations carried out during the year, the number of treasury stock purchased amounted to 8,125,581 class A shares and 62,025,632 class B shares and treasury stock transferred amounted to 5,681,820 class A shares and 39,141,753 class B shares, with a net result of €-89,618 thousand recognized in equity (€-961 thousand in 2012).

8.- Corporate governance

8.1. Shareholding structure of the company

Significant shareholdings

The share capital of Abengoa, S.A. is represented by book entries, managed by Iberclear (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S. A.) and totals 91,856,888.71 Euros represented by 825,562,690 shares fully subscribed and paid up, with two separate classes:

- 84,445,719 class A shares with a nominal value of 1 Euro each, all in the same class and series, each of which grants the holder a total of 100 voting rights ('Class A Shares').
- 741,116,971 class B shares with a nominal value of 0.01 Euros each, all in the same class and series, each of which grants One (1) voting right and which afford its holder economic rights identical to the economic rights of Class A shares ('Class B Shares' and, together with class A shares, 'Shares with Voting Rights').

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

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

Abengoa's Board of Directors, exercising the powers delegated to it by the resolution adopted by the Ordinary General Shareholders' Meeting held at second call on April 7, 2013, under point five of its agenda, agreed to carry out a capital increase by means of issuing and circulating new Class B shares in the company (hereafter, the "New Shares") charged against monetary contributions (hereafter, the "Capital Increase"), in order to raise funds to reduce its debt and strengthen the Company's balance sheet, thereby enhancing and optimizing its capital structure. The issue was carried out excluding the preferential subscription rights of the Company's existing shareholders, so that the New Shares were exclusively subscribed by qualified investors, as well as by the general public in the USA. An application to admit the New Shares for trading on the Madrid and Barcelona stock exchanges was subsequently made; and approval for admission to trading on the NASDAQ Global Select Market (through "American Depositary Shares", hereafter "ADSs" – represented by "American Depositary Receipts") was obtained. The issue price (including the nominal value and the share premium) was set at one euro and eighty cents (€1.80) per new Class B share with the total issue valued at four hundred and fifty million euros (€450,000,000), meaning that a total of two hundred and fifty thousand (250,000,000) shares were issued in the Capital Increase.

The underwriters of the Capital Increase subsequently exercised the greenshoe option granted by the Company. Specifically, they decided to exercise the greenshoe option for the maximum amount of shares subject to the option, meaning thirty-seven million five hundred thousand (37,500,000) Class B shares at the price set for the Capital Increase, in other words one euro and eighty cents (€1.80). Consequently, the Company will issue the new Class B shares required to settle the greenshoe option and will carry out the procedures to list them on the Madrid and Barcelona stock exchanges.

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The Extraordinary General Shareholders' Meeting therefore approved a voluntary conversion right of Class A shares into Class B shares, which will end on 31 December 2017. As a result of the execution of the voluntary conversion right established in Article 8 of the bylaws, Abengoa carried out a capital reduction of six hundred and thirty thousand eight hundred and seventy nine euros and forty eight cents (€630,879.48) on 22 January 2013, by reducing the par value of six hundred and thirty seven thousand two hundred and fifty two (637,252) Class A shares from one (1) euro per share to one euro cent (€0.01) per share, by creating a restricted reserve in accordance with Article 335 c) of the Spanish Capital Companies Act (LSC).

Since the capital is represented by book entry, there is no shareholder register other than the disclosures of significant shareholdings and the X-25 list. According to the latest information received, the situation is as follows:

Shareholders	Share %
Inversión Corporativa IC, S.A. (*)	51,60
Finarpisa, S.A. (*)	6,19

(*) Inversión Corporativa Group.

The number of registered shareholders according to the latest list provided by Iberclear (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.) on December 23, 2013 is 12,268 shareholders in class A shares and 16,944 shareholders in class B shares.

With regards to shareholder agreements, Inversión Corporativa IC and Finarpisa, as shareholders of Abengoa, signed an agreement on 10 October 2011, within the framework of the investment agreement between Abengoa and First Reserve Corporation, effective from 7 November 2011, which governs the exercising of their respective rights to vote in Abengoa's general meetings in relation with the proposal, appointment, ratification, reelection or substitution of a director to represent First Reserve Corporation.

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

- (i) vote in favor of the following, through their respective shareholder directors on Abengoa's Board of Directors:
 - (a) to appoint as a member of the Board, the candidate proposed to be the investor's nominee pursuant to the co-optation procedure established under the Spanish Capital Companies Act; and
 - (b) the proposal to recommend to Abengoa's shareholders the election of any replacement director as the investor's nominee on the Board of Directors, at Abengoa's next general shareholders' meeting;
- (ii) vote, at the corresponding general shareholders' meeting of Abengoa, in favor of the appointment of the candidate proposed by the investor to be its nominee on the Board of Directors; and
- (iii) while the investor or any of its related companies owns Abengoa Class B shares or any other instrument that is convertible or exchangeable into Abengoa Class B shares issued in accordance with the investment agreement or any other document of the transaction, they may not propose nor request the Board of Directors to recommend to shareholders any modification to the company's bylaws that adversely affects the equality of rights of Class B shares and Class A shares in relation to the distribution of dividends or similar distributions as established in bylaws.

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

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

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

- (i) To vote in favor of the resolutions relating to points 2, 3, 4, 5, 6 and 7 of the agenda of the General Shareholders' Meeting held on 30 September 2012, provided that it had previously verified that these resolutions were approved by the majority of Class A shareholders, excluding Inversión Corporativa;
- (ii) Not to exercise its voting rights, except up to a maximum of 55.93% in cases in which, as a result of the exercising of the conversion right of Class A shares into Class B shares that is expected to be included in the company's bylaws, the total percentage of voting rights that it holds of the total voting rights of the company is increased;
- (iii) That the percentage represented at any given time by the number of shares with the right to vote that it owns (whether Class A or Class B shares) of the total shares of the company, will not at any time be less than one quarter of the percentage represented by the voting rights that these shares attribute to Inversión Corporativa, in relation to the total voting rights of the company (in other words, that its voting rights cannot exceed four times its financial rights); and that, should this occur, it shall dispose of sufficient Class A shares or shall convert them into Class B shares in order to maintain this ratio.

In accordance with Article 19 and following articles of the company's bylaws, there are no limits on the voting rights of shareholders in relation to the number of shares which they hold. The right to attend the shareholders' meeting is limited however to those shareholders that hold 375 Class A or Class B shares.

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

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

Shareholders' rights: Shareholders have the right to information, in accordance with the applicable legislation; the right to receive the documentation related to the shareholders' meeting, free of charge; the right to vote in proportion to their shareholding, with no maximum limit; the right to attend shareholders' meetings if they hold a minimum of 375 shares; financial rights (to dividends, as and when paid, and their share of company's reserves); the right to representation and delegation, grouping and the right to undertake legal actions attributable to shareholders. The Extraordinary General Shareholders' Meeting approved a series of amendments to the bylaws in order to ensure that the 'rights of minority interests' are not infringed by the existence of two different share classes with different par values in which the lower nominal value of the Class B shares would make it more difficult to achieve the percentages of share capital required to exercise some of the voting and other non-financial rights. The General Meeting therefore agreed to amend Abengoa's bylaws as explained below in order to ensure that all these rights can be exercised based on the number of shares and not the amount of share capital. These rights, such as the right to call a general meeting or to request a shareholder derivative action, require a certain percentage of the share capital to be held in nominal terms (in these cases, 5%).

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

- Proposals that they intend to submit as supplementary points to the agenda published in the notice of the general meeting.
- Requests to second these proposals.
- Initiatives to achieve the required percentage to exercise a minority right.
- Requests for voluntary representation.

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

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

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

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

There are currently no agreements in effect between the company and its directors, managers or employees that entitle them to severance pay or benefits if they resign or are wrongfully dismissed, or if the employment relationship comes to an end due to a public tender offer.

Treasury stock

At the Ordinary General Shareholders' Meeting on April 7, 2013, it was agreed to authorize the Board of Directors to acquire the company's treasury stock in the secondary market, directly or through subsidiaries or investee companies, up to the limit stipulated in the current provisions, at a price of between one euro cent (0.01 Euros) and twenty euros (20 Euros) per share, and with express authority to appoint any of its members, being able to do so during a period of 18 months as of the above date and subject to Article 144 and subsequent articles of the Capital Companies Act.

The authorization granted to the Board of Directors for these purposes by the resolution adopted by the General Shareholders' Meeting of April 1, 2012 is hereby expressly annulled. On 19 November 2007, the company entered into a liquidity agreement for Class A shares with Santander Investment Bolsa, S.V. On 8 January 2013, the company entered into a liquidity agreement for Class A shares with Santander Investment Bolsa, S.V., replacing the initial agreement, in compliance with the conditions established in CNMV Circular 3/2007 of 19 December. On 8 November 2012, the company entered into a liquidity agreement for Class B shares with Santander Investment Bolsa, S.V. in compliance with the conditions established in CNMV Circular 3/2007 of 19 December.

As of 31 December 2012, treasury stock totaled 14,681,667 shares, which represents 3.39% of the share capital of Abengoa, S.A. (2,913,435 shares in 2011), of which 2,939,135 are Class A shares and 11,742,532 are Class B shares.

With regards to transactions carried out during the year, the amount of treasury stock purchased amounted to 8,201,391 Class A shares and 15,458,056 Class B shares, which represents 9.27% of the share capital of Abengoa, S.A. while treasury stock sold totaled 8,175,691 Class A shares and 3,715,524 Class B shares, equivalent to 4.66% of the share capital of Abengoa, S.A. with a net result of €961,000 recognized in equity of the parent company (decrease of €2,144,000 compared to 2011).

All the purchases and sales of the company's treasury stock were carried out under the aforementioned liquidity agreements.

Details of the latest Shareholders' Meetings

Resolution One.- Examination and approval, if given, of the Annual Financial Statements and the Directors' Report corresponding to the 2012 fiscal year for the Company and its Consolidated Group, along with the management and remuneration of the Board of Directors during the aforementioned company fiscal year.

Resolution Two.- Examination and approval, if given, of the Proposed Application of Results for the 2012 fiscal year.

Resolution Three.- Ratification, appointment and re-election, as applicable, of directors (separate proposals).

1º To resolve the re-election as a director, proposed by the Appointments and Remunerations Committee, following expiration of the four-year mandate conferred by the General Shareholders' Meeting of 2009, and for a further period of four years, of Mr. José Luis Aya Abaurre.

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2° To resolve the re-election as a director, proposed by the Appointments and Remunerations Committee, following expiration of the four-year mandate conferred by the General Shareholders' Meeting of 2009, and for a further period of four years, of Mr. José Joaquín Abaurre.

3° To resolve the re-election as a director, proposed by the Appointments and Remunerations Committee, following expiration of the four-year mandate conferred by the General Shareholders' Meeting of 2009, and for a further period of four years, of Mr. Francisco Javier Benjumea Llorente.

4° To resolve the re-election as a director, proposed by the Appointments and Remunerations Committee, following expiration of the four-year mandate conferred by the General Shareholders' Meeting of 2009, and for a further period of four years, of Mr. Felipe Benjumea Llorente.

5° Likewise, to resolve the re-election as independent director, proposed by the Appointments and Remunerations Committee, for a further period of four years, of Mr. José Borrell Fontelles.

Resolution Four.- Special report on Company Director Remuneration Policy for presentation before the General Shareholders' Meeting on a consultative basis.

Resolution Five.- Delegation of powers on the Board of Directors to increase the capital stock by issuing new shares of any of share classes A and/or B and/or C, pursuant to the terms of Article 297.1(b), within the limits laid down in the Act, with express empowerment to delegate exclusion of preferential subscription rights pursuant to the terms of Article 506 of the Capital Companies Act, revoking and rescinding the sum pending resulting from previous powers delegated by the General Meeting. Delegation of powers on the Board of Directors and each of its members to establish the conditions for the capital increase, to perform all actions required for execution thereof, to adapt the text of the corresponding articles of the Company Bylaws in accordance with the new figure of the capital stock and to execute any public and private instruments required for execution of the capital increase. Application before the competent national and foreign bodies for the new shares to be listed for trading on any securities market.

Resolution Six.- Delegation of powers on the Board of Directors to issue debentures or other similar fixed or variable income securities, simple or guaranteed, convertible into shares or otherwise, with express delegation of the power to exclude preferential subscription rights pursuant to the terms of Article 511 of the Capital Companies Act, either directly or through Group Companies, in accordance with the regulations in force, rescinding the sum pending resulting from previous powers delegated by the General Meeting.

Resolution Seven.- Delegation of powers on the Board Directors for the derivative acquisition of treasury stock either directly or through group companies, in accordance with the regulations in force, rescinding all previous authorizations granted for the same purpose by the General Meeting.

Resolution Eight.- Delegation of powers on the Board of Directors for the interpretation, rectification, execution, formalization and registration of the resolutions passed.

In relation to the votes of the aforementioned resolutions:

- In the First resolution, a total of 6,129,584,486 valid votes were cast, corresponding to 58,891,078 Class A shares and 240,476,686 Class B shares, which represent 68.477% of the share capital, with a total of 5,720,707,995 votes in favor, 248,040 against and 408,628,451 abstaining.

- In the Second resolution, a total of 6,129,584,486 valid votes were cast, corresponding to 58,891,078 Class A shares and 240,476,686 Class B shares, which represent 68.477% of the share capital, with a total of 5,720,614,357 votes in favor, 249,600 against and 408,720,529 abstaining.

- In the Third resolution, paragraph 1, a total of 6,129,584,486 valid votes were cast, corresponding to 58,891,078 Class A shares and 240,476,686 Class B shares, which represent 68.477% of the share capital, with a total of 5,674,769,455 votes in favor, 40,209,620 against and 414,605,411 abstaining.

- In the Third resolution, paragraph 2, a total of 6,129,584,486 valid votes were cast, corresponding to 58,891,078 Class A shares and 240,476,686 Class B shares, which represent 68.477% of the share capital, with a total of 5,680,423,501 votes in favor, 40,085,878 against and 409,075,107 abstaining.

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- In the Third resolution, paragraph 3, a total of 6,129,584,486 valid votes were cast, corresponding to 58,891,078 Class A shares and 240,476,686 Class B shares, which represent 68.477% of the share capital, with a total of 5,639,229,349 votes in favor, 76,418,550 against and 413,936,587 abstaining.

- In the Third resolution, paragraph 4, a total of 6,129,584,486 valid votes were cast, corresponding to 58,891,078 Class A shares and 240,476,686 Class B shares, which represent 68.477% of the share capital, with a total of 5,580,031,726 votes in favor, 56,074,109 against and 493,478,651 abstaining.

- In the Third resolution, paragraph 5, a total of 6,129,584,486 valid votes were cast, corresponding to 58,891,078 Class A shares and 240,476,686 Class B shares, which represent 68.477% of the share capital, with a total of 5,719,782,218 votes in favor, 993,817 against and 408,808,451 abstaining.

- In the Fourth resolution, a total of 6,129,584,486 valid votes were cast, corresponding to 58,891,078 Class A shares and 240,476,686 Class B shares, which represent 68.477% of the share capital, with a total of 5,680,273,775 votes in favor, 40,682,260 against and 408,628,451 abstaining.

- In the Fifth resolution, a total of 6,129,584,486 valid votes were cast, corresponding to 58,891,078 Class A shares and 240,476,686 Class B shares, which represent 68.477% of the share capital, with a total of 5,633,664,057 votes in favor, 86,789,578 against and 409,130,851 abstaining.

- In the Sixth resolution, a total of 6,129,584,486 valid votes were cast, corresponding to 58,891,078 Class A shares and 240,476,686 Class B shares, which represent 68.477% of the share capital, with a total of 5,638,724,669 votes in favor, 76,798,647 against and 414,061,170 abstaining.

No directors are board members of other listed companies.

In accordance with the register of significant shareholdings that the company maintains, pursuant to the internal code of conduct in relation to the stock market, the percentage shareholdings of the directors in the capital of the company as at December 31, 2012 were as follows:

	No. of direct class A shares	No. of indirect class A shares	No. of direct class B shares	No. of indirect class B shares	% Total
Felipe Benjumea Llorente	-	-	414.170	4.300.905	0,0513
Aplicaciones Digitales S.L.	-	-	4.737.756	-	0,0516
Manuel Sánchez Ortega	-	-	913.167	-	0,0099
José Joaquín Abaurre Llorente	1.900	-	7.600	-	0,0022
José Luis Aya Abaurre	65.609	-	262.438	-	0,0743
M ^a Teresa Benjumea Llorente	12.390	-	49.560	-	0,0140
Javier Benjumea Llorente	3.888	-	15.552	-	0,0044
José Borrell Fontelles	-	-	41.695	-	0,0005
Mercedes Gracia Díez	-	-	2.500	-	-
Ricardo Martínez Rico	-	-	2.565	-	-
Claudio Santiago Ponsa	200	-	800	-	0,0002
Ignacio Solís Guardiola	17.000	-	68.000	-	0,0192
Fernando Solís Martínez-Campos	50.832	34.440	203.328	137.760	0,0965
Carlos Sundheim Losada	-	-	247.118	-	0,0027
Alicia Velarde Valiente	400	-	1.600	-	0,0005

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8.2. Company Management Structure

The Board of Directors

– Composition: number and identity

Following changes to Article 39 the company's bylaws, as agreed by the Ordinary Shareholders' Meeting held on 15 April 2007, the maximum number of members of the Board of Directors has been set at fifteen, compared to nine established until that time. This modification reinforced the structure of the Board with a number of directors that allows a more diversified composition as well as facilitating the delegation and adoption of resolutions with minimal attendance, thereby ensuring a multiple and plural presence in the Board of Directors.

Maximum number of Board Members	15
Minimum number of Board Members	3

In accordance with the recommendations established in the Unified Code of Good Governance of Listed Companies, the composition of the Board reflects the capital structure. This enables the Board to represent the highest possible percentage of the capital in a stable way and ensures protection of the general interests of the company and its shareholders. The Board is provided, moreover, with a degree of independence in accordance with the practices and professional needs of any company. Its current composition is the following:

Abaurre Llorente	José Joaquín
Aya Abaurre	José Luis
Benjumea Llorente	Felipe
Benjumea Llorente	Javier
Benjumea Llorente	María Teresa
Borrell Fontelles	José
Gracia Díez	Mercedes
Martínez Rico	Ricardo
Sánchez Ortega	Manuel
Santiago Ponsa	Claudio
Solis Guardiola	Ignacio
Solis Martínez-Campos	Fernando
Sundheim Losada	Carlos
Terceiro Lomba	José B. (en representación de Aplicaciones Digitales, S.L.)
Velarde Valiente	Alicia

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

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Notwithstanding the fact that independence is a condition that must be common to any director, irrespective of the director's origin or appointment, based on the reliability, integrity and professionalism of his or her role, in accordance with the guidelines included under Law 26/2003, in Ministerial Order 3722/2003 and in the Unified Code of Good Governance of Listed Companies, the classification of current directors is as follows:

Felipe Benjumea Llorente	- Executive President
José B. Terceiro (en representación de Aplicaciones Digitales S.L.)	- Executive (Vice-President) - Member of the Appointments and Remuneration Committee
Manuel Sánchez Ortega	- Executive. Chief Executive Officer
José Joaquín Abaurre Llorente	- External, weekly assistant - Member of Audit Committee
José Luis Aya Abaurre	- External, weekly assistant - Member of the Appointments and Remuneration Committee
Javier Benjumea Llorente	- Executive
M ^a Teresa Benjumea Llorente	- External, weekly assistant
José Borrell Fontelles	- Independent - Chairman and member of the Appointments and Remuneration Committee - Member of the Audit Committee
Mercedes Gracia Díez	- Independent - Chairman and member of the Audit Committee - Member of the Appointments and Remuneration Committee
Claudi Santiago Ponsa	- External, weekly assistant
Ignacio Solís Guardiola	- External, weekly assistant
Fernando Solís Martínez-Campos	- External, weekly assistant
Carlos Sundheim Losada	- External, weekly assistant
Ricardo Martínez Rico	- Independent - Member of the Audit Committee
Alicia Velarde Valiente	- Independent - Member of the Appointments and Remuneration Committee - Member of the Audit Committee

As may be seen in the table above, the Board is made up of a majority of external, non-executive directors.

— Organizational and functional rules

The Board of Directors is governed by the Regulations of the Board, the company's bylaws and by the Internal Code of Conduct on Stock Exchange Matters. The Regulations of the Board were initially approved by the Board at a meeting on 18 January 1998, clearly in anticipation of the current rules of good governance and efficient internal control. The most recent update of note took place December 16, 2013.

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- Structure:

The Board of Directors is currently made up of 15 members. The Regulations of the Board cover the composition of the Board, the functions and its internal organization; additionally, there is the Internal Code of Conduct on Stock Exchange Matters, the scope of which covers the Board of Directors, senior management and all those employees who, due to their skills or roles, are also impacted by its content. The Regulations of the Functioning of Shareholders' Meetings cover the formal aspects and other aspects of Shareholders' Meetings. Finally, the Board is supported by the Audit Committee and the Appointments and Remuneration Committee, which in turn are subject to their own respective internal regulations. All these regulations, included within the revised Internal Regulations on Corporate Governance are available on the company's website, www.abengoa.es/com.

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

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

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

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

For the reasons mentioned, the Committee deemed it appropriate to propose Aplicaciones Digitales, S.L. (Aplidig, represented by Mr. José B. Terceiro Lomba), the current Coordination Director, as the new Vice-Chairman of the Board. Additionally, within the representative duties, it was proposed that the Vice-chairman, in conjunction with the chairman, would represent Abengoa as chairman of the Focus-Abengoa Foundation, as well as for other foundations and institutions in which the company is or should be represented.

In light of the above, on 10 December 2007 the Board of Directors approved the appointment of Aplicaciones Digitales, S. L. (represented by Mr. José B. Terceiro Lomba), the current Coordination Director, as the new Vice-Chairman of the Board, with the unanimous agreement of the independent directors regarding the retention of his role as Coordination Director despite being promoted to an executive board member role. Additionally, within the representative duties, on 23 July 2007 the Board approved that the Vice-chairman, in conjunction with the Chairman, would also represent Abengoa as Chairman of the Focus-Abengoa Foundation Board, as well as for other foundations and institutions in which the company is or should be represented.

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The Chairman of the Board, as the leading executive of the company is granted full powers excluding those which by law cannot be assigned by the Board of Directors, notwithstanding the powers and competences of the Board itself. With regards to the Vice-chairman, also an executive role, he or she is granted the same powers as above.

At the proposal of the meeting of the Appointments and Remuneration Committee of 25 October 2010, and due to the resignation as a director of Mr Miguel Martín Fernández due to other professional commitments, the Committee agreed to appoint Mr Manuel Sánchez Ortega as CEO for a period of four years, by co-optation. Mr Manuel Sánchez Ortega shares the executive functions of the company with Mr Felipe Benjumea Llorente.

- Functions:

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

- Appointments:

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

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

- Dismissals:

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

- Meetings:

In accordance with Article 42 of the company bylaws, the Board of Directors will meet as deemed necessary given the demands of the company or, as a minimum requirement, three times annually, with the first meeting during the first quarter of the year. During 2013, the Board met a total of 16 times, of which five meetings took place via a meeting by circular resolution, in addition to one meeting between the Board of Directors and senior management.

- Duties of the Directors:

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

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

- Prepare and be sufficiently and properly informed for each meeting.
- Actively assist and participate in meetings and decisions.
- Avoid conflicts of interest and, in the event that they arise, to report such conflicts to the company through the Board of Directors' Secretary.
- Not to undertake duties for competing entities.

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- Not to use company information for personal purposes.
- Not to use the company's business opportunities for their own interest.
- Maintain full confidentiality regarding information received within their role as Director of the company.
- Abstain from voting on proposals that may have an effect on them.

- The Chairman:

The Chairman, in addition to the company bylaws and legal requirements, is the senior-most executive of the company, and as such is effectively responsible for the management of the company, always in accordance with the criteria and decisions of the Board of Directors and the General Shareholders' Meeting. The Chairman is responsible for implementing the decisions made by the company's management bodies, through application of the powers as permanently granted to him by the Board of Directors, which he represents in all aspects. The Chairman also casts the deciding vote in the Board of Directors.

The Chairman is also the Chief Executive Officer. The following measures are in place to prevent an accumulation of power.

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

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

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

- The Secretary:

The Secretary to the Board of Directors undertakes those responsibilities as required by law. Currently the role of Secretary and that of Legal Counsel to the Board is undertaken by the same person, being responsible for the correct calling of meetings and that resolutions are properly implemented by the Board. In particular, he will advise the Board as to the legality of proposed deliberations and decisions and upon compliance with the company's internal corporate governance regulations, making him responsible as guarantor of the legality, both in law and in substance, of the actions of the Board.

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

- Resolutions:

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

- Remuneration and other benefits

- Remuneration:

Directors are remunerated as established in article 39 of the Bylaws. The remuneration of Directors is made up of a fixed amount as agreed upon at the General Shareholders' Meeting, and is not necessarily equal for all directors. Additionally, they may participate in profit sharing programs, for a percentage between 5% and 10% (maximum) of the net income of the Company after the declaration of the dividends for the year. Travel expenses related to work undertaken by the board are reimbursed to Directors.

Salary (both fixed and variable) and allowances paid to the members of the Board of Abengoa S.A. in 2013 were € 15,421 thousand (€13,887 thousand in 2012).

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Detail of individual remuneration and benefits in 2013 paid to the Board of Directors (in thousands of Euros):

Name	Salary	Fixed remuneration	Daily allowance	Short term variable remuneration	Compensation as member of Board Committee	Compensation as officer of other Group companies	Other concepts	Total 2013
Felipe Benjumea Llorente	1,086	-	93	3,304	-	-	1	4,484
Aplidig, S.L. (1)	-	202	93	2,804	-	-	-	3,099
Manuel Sánchez Ortega	1,086	-	93	3,304	-	-	1	4,484
Javier Benjumea Llorente	263	-	78	1,183	200	38	108	1,870
José Borrell Fontelles	-	-	176	-	124	-	-	300
Mercedes Gracia Díez	-	-	160	-	40	-	-	200
Ricardo Martínez Rico	-	-	121	-	15	-	-	136
Alicia Velarde Valiente	-	-	110	-	40	-	-	150
José Joaquín Abaurre Llorente	-	-	110	-	40	-	-	150
José Luis Aya Abaurre	-	-	110	-	40	-	-	150
María Teresa Benjumea Llorente	-	-	78	-	-	24	-	102
Claudio Santiago Ponsa	-	-	62	-	-	-	-	62
Ignacio Solís Guardiola	-	-	78	-	-	-	-	78
Fernando Solís Martínez-Campos	-	-	78	-	-	-	-	78
Carlos Sundhein Losada	-	-	78	-	-	-	-	78
Total	2,435	202	1,518	10,595	499	62	110	15,421

Note (1): Represented by Mr. José B. Terceiro Lomba

Additionally, in 2013 overall remuneration for key management of the company (Senior Management which are not executive directors), including both fixed and variable components, amounted to €14,656 thousand (€13,574 thousand in 2012).

For more information on the Corporate Governance Report, the appendix of this Management Report contains the complete version which has been subjected to independent verification by our auditors who have issued opinion of reasonable assurance based on the ISAE 3000 standard 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC).

9.- Appointments and Remuneration Committee

The Appointments and Remuneration Committee was created by Abengoa SA's Board of Directors on 24 February 2003 pursuant to Article 28 of the Regulations of the Board of Directors, with the aim of incorporating the recommendations on the Appointments and Remunerations Committee in Law 44/2002 on the Reform of the Financial System. The Board of Directors also approved its internal regulations.

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Composition

The current composition of the Committee is as follows:

- José Borrell Fontelles	Chairman Non-executive independent Board Member
- Mercedes Gracia Diez	Member. Non-executive independent Board Member
- Aplicaciones Digitales, S. L. (Representado por D. José B. Terceiro Lomba)	Member. Executive Board Member
- José Luis Aya Abaurre	Member. Non-executive Nominee Board Member
- Alicia Velarde Valiente	Member. Non-executive independent Board Member
- José Marcos Romero	Non-Board Member Secretary

The Appointments and Remunerations Committee is consequently comprised of one executive and four non-executive board members, in compliance with the requirements set forth in the Law on the Reform of the Financial System. Likewise, in accordance with the provisions of Article 2 of its Internal Regulations, the post of Committee Chairman is compulsorily held by a non-executive board member.

Duties and roles

The following are the duties and competencies of the Appointments and Remuneration Committee:

1. Inform the Board of Directors about appointments, re-elections, dismissals and remuneration of the Board and its posts, as well as about the general policy on remuneration and incentives for directors and senior management.
2. Inform the Board of Directors in advance on all proposals it may submit to the General Shareholders' Meeting for the appointment or dismissal of board members, even in cases of co-optation by the Board of Directors itself; annually checking to ensure compliance with the conditions that led to the appointment of a board member and the nature or type thereof. This information shall be included in the Annual Report. When filling new vacancies, the Appointments and Remuneration Committee will ensure that the selection procedure contains no implicit bias that may hinder the selection of female Board members and also that women who meet the required profile are included as potential candidates.
3. Prepare an annual report on the activities of the Appointments and Remuneration Committee, to be included in the management report.

Sessions and convening

To execute the duties listed above, the Appointments and Remuneration Committee shall meet as many times as necessary and at least once every six months. It shall also meet on the behest of the Chairman. Lastly, a meeting shall be deemed valid if all its members are present and they decide to hold a session.

The Committee held four meetings during 2013; the most relevant among the issues dealt with on the agenda were the proposals of appointments and renewals of the Board of Directors, as well as the verification that the conditions that were the basis for the appointment of the board members and the nature or type thereof continued to be upheld.

Quorum

The Committee is considered validly constituted if the majority of its members are present. Only non-executive board members may act as representatives.

Decisions taken shall be deemed valid if favorably voted by the majority of the committee members, present or represented. In the event of a tie the Chairman shall have the casting vote.

The company's head of remuneration shall act as secretary in the Committee meetings.

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Committee analysis and proposals

- Follow-up and progress of remuneration of the members of the Board of Directors and the company's senior management.
- Remuneration proposals for members of the Board of Directors and the company's senior management.
- Preparation of the relevant information to be included in the financial statements.
- Propose to the Board of Directors the appointment of Mr Ricardo Hausmann as a director, to be submitted to the next General Shareholders' Meeting.
- Proposal to the Board of Directors for the re-election of Mr. Felipe Benjumea Llorente, Mr. Javier Benjumea Llorente, José Joaquín Abaurre Llorente, Mr. José Luis Aya Abaurre and Mr. José Borrell Fontelles as a board member because previous mandates had expired.
- Propose to the Board of Directors the appointment of Mr José Borrell Fontelles as a member of the Audit Committee, following the resignation submitted by Aplidig, S.L. (represented by Mr José B. Terceiro Lomba).
- Proposal to the Board of Directors for the approval of the annual report on the Remuneration of Board Members (Remuneration Annual Report).
- Report on the verification that the conditions that were the basis for the appointment of board members and their nature and type continue to be upheld.
- Reports on comparative salaries and market research by independent experts

10.- Other relevant information

10.1. Stock exchange information

According to the figures supplied to the company by Bolsas y Mercados Españoles, 117,689,141 shares A and 1,058,550,337 shares B were traded in 2013, equivalent to an average daily volume of 461,526 and 4,151,177 for A and B shares, respectively; and an average traded cash value of €1.1 million and €7.8 million per day, respectively.

Share evolution	A Shares		B Shares	
	Total	Daily	Total	Daily
Volume (thousands of shares)	117,689	462	1,058,550	4,151
Volume (M€)	273	1	1,998	8

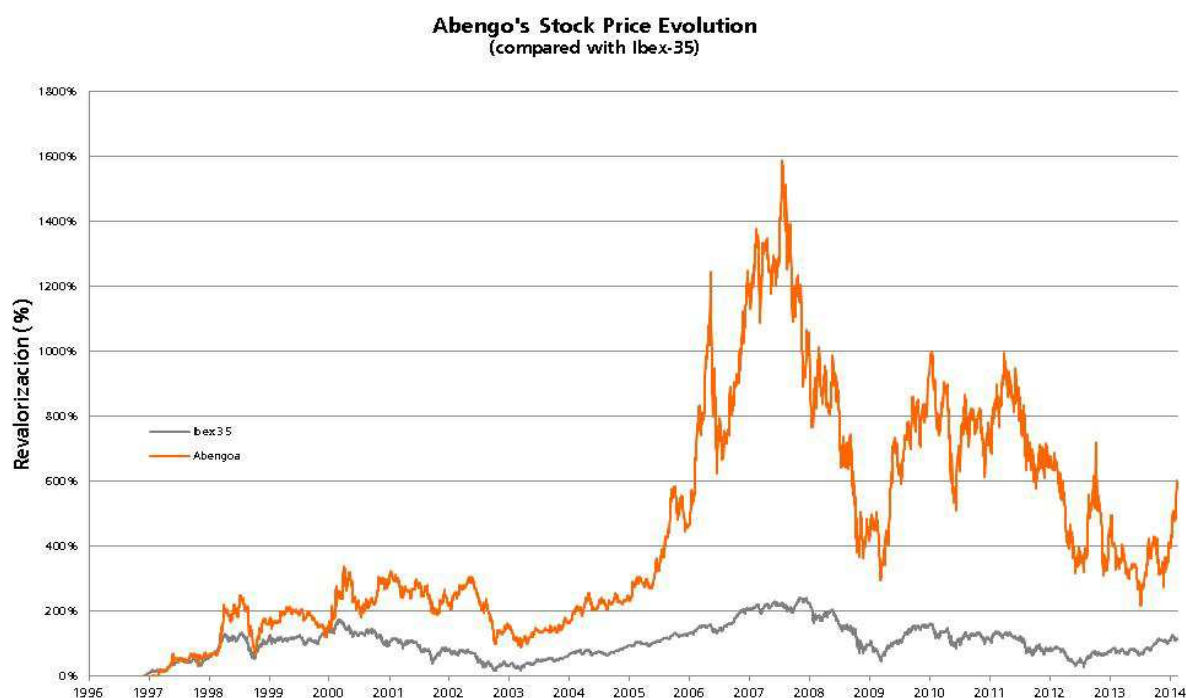
Quotes	Data		Data	
Last	2.30	December 31	2.24	December 31
Maximum	2.78	October 11	2.69	January 8
Average	2.26		1.86	
Minimum	1.57	July 8	1.25	July 8

The final listed prices of Abengoa's shares in 2013 was €2.305 (A-shares), which is a 4% decrease on the closing price for the previous year, and €2.244 (B-shares), a 4% decrease on the closing price for the previous year.

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As a historical reference, since Abengoa's Initial Public Offering on November 29, 1996, the company's value has increased by 590% which is more than 6.9 times the initial price. During this same period, the select IBEX-35 has increased by 110%.



10.2. Dividend policy

The dividend policy of Abengoa with respect to ordinary shares (Class A) and Class B shares and Class C (values under bylaws issued but not today) is subject to investment requirements and capital expenditures, possible future acquisitions, expected future results of operations, cash flows, debt limits and other factors. Under the terms of the debt instruments, the Company is subject to certain restrictions on the distribution of dividends.

The existing dividend protection clause in the convertible bonds allows for dividends that will be declared in the following years until the year 2017, increase the dividend per share for each year 0.002 euros per share with respect to the previous year without affecting the conversion price of those bonds.

Non-convertible bonds restrict the payment of dividends in excess of the sum of (i) 50% of consolidated net income for the year plus (ii) the amount of payments received by taxable capital increases through ordinary shares. The usual exceptions (such as buyback, repurchase managers under incentive plans, make dividend payments with the proceeds from a sale, etc.) and a maximum distribution of 20 million per year for Allowed distributions out of (i) and (ii).

The distribution of dividends made in the years 2013, 2012 and 2011 represent a payout ratio of 70.0%, 10.1% and 8.7% respectively over the previous year's result, which represented a payment of 39, 38 and 18 million respectively.

On April 9, 2013 to pay for the outcome of 2012 dividend, corresponding to 0.072 euros per share on the number of shares (Class A and B) then issued (538,062,690) for a total of 38,740,513 euros representing a payout ratio of 70.0% on the profit for the year 2012. Additionally a cash amount equivalent to the dividends on the warrants issued on the B shares (20,100,620), corresponding to 1,447,244 euros.

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On April 11, 2012 the first payment of the corresponding dividend for the year 2011, corresponding to 0.15 euros per share and the second additional payment of EUR 0.20 per share was made on July 4, 2012 was performed, payment was made to the number of shares (Class A and B) then issued (107,612,538) totaling 37,664,388 euros and represents a payout ratio of 10.1% on the outcome of 2011. Additionally a cash amount equivalent to the dividends on the warrants issued on the B shares (4,020,124), corresponding to 1,407,043 euros.

In July 2011, Abengoa paid 18 million euros in dividends for the year 2010 (equivalent to 0.20 per Class A common share based on the number of shares issued then).

On April 10, 2011, the Ordinary Shareholders General Meeting resolved to increase capital by increasing the nominal value of Class A shares out of reserves, so that the Class A shares only outstanding at the date of adoption of this agreement, increased from 0.25 euros par value 1 par value per share.

The Class B shares carry the same economic rights as the Class A common shares Issuance of Class B shares do not carry any additional restriction on payment of dividends.

Meanwhile, according to the bylaws, each Class C shall entitle its holder to receive a minimum annual preferred dividend for ordinary distributable profits for concerned action to be completed class C exists, equal to a euro cent (€ 0.01) per share of the additional C class to the ordinary dividend.

At the date of presentation of the consolidated financial statements have not been issued shares of class C although the possibility of issue is provided in statutes.

Abengoa's shareholders have not received any remuneration other than those referred to here

10.3. Management of credit quality

Credit ratings affect the cost and other terms upon which we are able to obtain financing (or refinancing). Rating agencies regularly evaluate us and their ratings of our default rate and existing capital markets debt are based on a number of factors. On April 02, 2013, Standard & Poor's ("S&P") Rating Services downgraded our corporate family rating and probability of default rating from "B+" to "B" with a negative outlook and on November, 04 they reaffirmed the rating of the corporate family and of our high-yield notes. On March 27, 2013 Moody's Investors Service, Inc. ('Moody's) downgraded our corporate family rating and probability of default rating from "B1" with a negative outlook to 'B2' with a stable outlook. In addition, Fitch Ratings, Inc. ('Fitch') has maintained stable the rating 'B+' with a stable outlook during 2013, reaffirming it on October 24, 2013.

10.4. Further information

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

In addition to the accounting information, as provided within the financial accounts and within this management report, Abengoa also publishes an 'Annual Report' which sets out the key events of 2013. This report is available in Spanish, English and French. The Annual Report, which is published prior to the Shareholders' Meeting at which the financial statements of 2013 will be approved, includes not only the consolidated accounts of Abengoa, as well as the strategic objectives of the business and the key events of the three Business Units into which Abengoa is structured as of 31 December 2013.

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

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

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

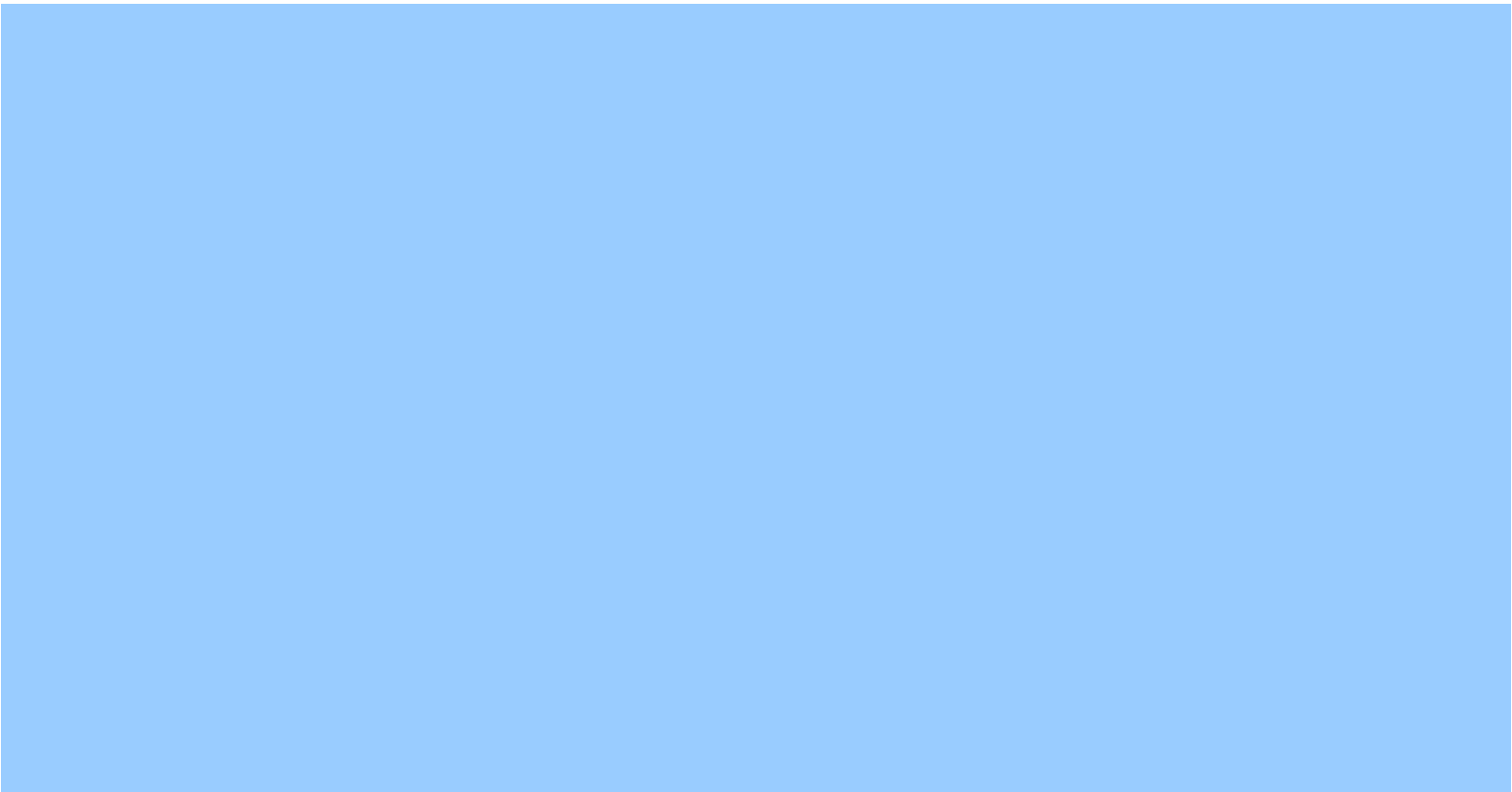
11.- Events after the end of the year

After the end of the year 2013 and following the so-called “regulatory reform of the electric sector”, the Ministry of Industry, Energy and Tourism submitted to the National Competition and Markets Commission a proposal of Ministerial Order establishing a set of compensation parameters regarding energy-generation facilities from renewable sources, cogeneration and waste. Among other parameters, there are those related to benchmarks of investment and operation of thermosolar facilities (both solar power tower and parabolic-cylinder technology), photovoltaic and cogeneration plants of the Group. This new regulatory development, since it represents an additional evidence regarding some conditions that existed prior to the closing date of the financial year and, in particular, allows us to estimate future cash flows from the abovementioned facilities, has been taken into account when preparing these Financial Statements.

Since December 31, 2013, apart from what is detailed above, no other events have occurred that might significantly influence the information reflected in the Consolidated Financial Statements, nor has there been any event of significance to the Group as a whole.



Appendix to consolidated management report



03.1

Annual corporate governance report

03

Annual corporate
governance report**A. Ownership Structure**

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

Date of Last Modification	Stock capital (€)	Number of shares	Number of voting rights
10-29-2013	91,856,888.71	825,562,690	9,185,688,871

Indicate whether different types of shares exist with different rights associated:

Yes.

Class	Number of shares	Nominal unit	Unit number of voting rights	Different rights
A	84,445,719	1	100	Without different rights
B	741,116,971	0.01	1	See the Other Information of Interest section at the end of the report

A.2 List the direct and indirect holders of significant ownership interests in the company at the end of the financial year, excluding board members

Personal or Corporate Name of shareholder	Number of direct voting rights	Direct owner of shares	Number of voting rights	% of total voting rights
Inversión Corporativa, I.C., S.A.	4,739,411,192	Finarpisa, S.A.	568,379,032	51.60 %
Finarpisa, S.A.	568,379,032	-	-	6.19 %

Indicate the most significant movements in the shareholding structure of the company during the year:

Not applicable.

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A.3 Complete the following tables on company board members that hold voting rights through company shares:

Personal or Corporate Name of Board member	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Direct owner of shares	Number of voting rights	
Felipe Benjumea Llorente	414,170	Ardachon, S.L.	4,300,905	0.0513
Aplicaciones Digitales S.L.	4,737,756		-	0.0516
Manuel Sánchez Ortega	913,167		-	0.0099
José Joaquín Abaurre Llorente	197,600		-	0.0022
José Luis Aya Abaurre	6,823,338		-	0.0743
M ^a Teresa Benjumea Llorente	1,288,560		-	0.0140
Javier Benjumea Llorente	404,352		-	0.0044
José Borrell Fontelles	41,695		-	0.0005
Mercedes Gracia Díez	2,500		-	0.0000
Ricardo Martínez Rico	2,565		-	0.0000
Claudio Santiago Ponsa	20,800		-	0.0002
Ignacio Solís Guardiola	1,768,000		-	0.0192
Fernando Solís Martínez-Campos	5,286,528	Dehesa del Mesto, S.A.	3,581,760	0.0965
Carlos Sundheim Losada	247,118		-	0.0027
Alicia Velarde Valiente	41,600		-	0.0005

% total of voting rights held by board of directors 0.3274

Complete the following tables on members of the company's Board of Directors that hold rights over company shares:

Not applicable.

A.4 Indicate, as the case may be, any family, business, contractual or corporate relationship between owners of significant shares, insofar as it is known to the company, unless if such bears little relevance to or arises from the ordinary trading or course of business:

Personal or Corporate Name of related	Type of relationship	Brief description
Inversión Corporativa, I.C., S.A. Finarpisa, S.A.	Societal	Inversión Corporativa, I.C., S.A holds 100 % shares in Finarpisa, S.A.

A.5 Indicate, as the case may be, any commercial, contractual or corporate relationship between owners of significant shares on the one hand, and the company and/or its group on the other, unless such bears little relevance to or arises from the ordinary trading or course of business:

Not applicable

03 Annual corporate governance report

A.6 Indicate whether the company was informed of any shareholders' agreements affecting the company in accordance with Article 530 and 531 of the Spanish Corporations Act. If so, provide a brief description and list the shareholders bound by such agreement:

Yes.

Participants of the shareholder agreement	% of stock capital affected	Brief description of agreement
Finarpisa, S.A. Inversión Corporativa, I.C., S.A.	57.79 %	<p>On November 9, 2011, Inversión Corporativa IC SA and Finarpisa SA signed an agreement to regulate the exercise of their respective voting rights in the general meetings of Abengoa in relation to the proposal, appointment, ratification, re-election or replacement of a board member to represent First Reserve Corporation.</p> <p>By virtue of said agreement, Inversión Corporativa IC SA and Finarpisa SA jointly agreed to vote for:</p> <p>(i) the appointment of the candidate proposed to said board to serve as board member designated by investor based on the co-optation procedure; and (b) the proposal to recommend, during the next general meeting, that the shareholders of Abengoa to appoint, if need be, a replacement for the board member designated by investor on the Board of Directors.</p> <p>(ii) to vote in the corresponding general meeting of shareholders of Abengoa for the appointment of the candidate proposed by the Investor.</p> <p>(iii) FRC or any of its subsidiaries holding Abengoa class B shares or any other instrument convertible in, or exchangeable for, Abengoa Class B shares may not propose or ask the Board of Directors to recommend that the shareholders make any kind of changes to the Company Bylaws which may adversely affect the equality rights of Class B shares and Class A shares such as envisaged in the Bylaws</p>
Finarpisa, S.A. Inversión Corporativa, I.C., S.A.	57.79 %	<p>On August 27, 2012, Inversión Corporativa IC SA and its subsidiary, Finarpisa SA, amended the shareholders' agreement with the Abengoa shareholder, First Reserve Corporation.</p> <p>The amendment was that FRC or any of its subsidiaries holding Abengoa class B shares or any other instrument convertible in, or exchangeable for, Abengoa Class B shares, issued in accordance with the Investment Agreement stipulations or with any other transaction document, may not propose or ask the Board of Directors to recommend that the shareholders make any kind of changes to the Company Bylaws which may adversely affect the equality rights of Class B shares and Class A shares as regards the distribution of dividends or analogous such as envisaged in the Bylaws, and that they shall vote against such a proposal if submitted by any other shareholder or by the board of directors".</p>
Abengoa, S.A. Inversión Corporativa, I.C., S.A.	57.79 %	<p>On August 27, 2012, Abengoa S.A. entered a shareholders' agreement with its top shareholder, Inversión Corporativa, I.C., S.A by virtue of which the latter directly or indirectly warrants and undertakes the following through its subsidiary, Finarpisa S.A.:</p> <p>(i) To vote in favour of the agreements regarding points 2nd, 3rd, 4th, 5th, 6th and 7th on the Agenda of the Shareholders' General Meeting held on September 30, 2012, as long as it is first verified that the aforementioned agreements are approved by the majority of the shareholders of another class other than those of Inversión Corporativa;</p> <p>(ii) not to exercise its voting rights except up to a maximum of 55.93% in cases in which, as a result of the exercise of the rights of conversion of Class A shares into Class B shares expected to be included in the Corporate Bylaws, the total percentage of the voting rights it holds are seen increased over the company's entire voting rights;</p> <p>(iii) that the percentage of the number of shares with voting rights held at all times (whether such shares are Class A or Class B) over the company's total number of shares not be at any time lower than one fourth of the percentage of the voting rights that said shares may allocate to Inversión Corporativa in relation to the company's total number of voting rights; and that, should such be the case, Class A share should be transferred or converted into Class B, in the amount deemed necessary to sustain such proportion.</p>

Specifically state any amendments to, or terminations of such accords or concerted actions during the year:

No.

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A.7 Indicate whether any individual or corporate body currently exercises, or could exercise control over the company pursuant to Article 4 of the Spanish Securities Market Act. If so, please identify:

Yes.

Personal or Corporate Name.

Inversión Corporativa, I.C, S.A.

Comments

Inversión Corporativa, I.C, S.A. is the direct holder of 51.60 % of the stock capital of Abengoa, S.A. and an indirect holder of 6.19 % through its subsidiary, Finarpisa S.A. Inversión Corporativa, I.C, S.A. is bona fide owner of the 100 % shares of Finarpisa S.A.

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

At year end:

Number of direct shares	Number of indirect shares (*)	% Total of Capital Stock
40,009,307	0	6.24%

(*) Held through:

Name or corporate name of indirect holder of shares	Number of direct shares
Total	-

Provide details of any significant changes during the year, in accordance with Royal Decree 1362/2007.

Communication Date	Total n° of direct shares acquired	Total n° of indirect shares acquired	% Total of Capital Stock
12-31-2013	70,151,213	0	9.52%

A.9 Provide details of the conditions set forth and the current periods given by the shareholders for the Board of Directors to issue, repurchase or transfer treasury stock.

The Ordinary General Meeting of Shareholders held on April 7 2013 authorized the Board of Directors to buy back the Company's shares either directly or through its subsidiary or investee companies up to the maximum permitted by current laws at a rate set between one hundredth part of a Euro (€ 0.01) as a minimum and twenty Euros (€ 20) as maximum, with the specific power of substitution in any of its members. Said power shall remain in force for eighteen (18) months from this very date, subject to Article 144 and following of the Corporations Act.

For that purpose, the authorization conferred upon the Board of Directors for the same purposes, by virtue of the decision taken at the Ordinary General Meeting of Shareholders held on April 1, 2012, was specifically revoked.

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On November 19 2007, the company signed a Liquidity Agreement for Class A shares with Santander Investment Bolsa, S.V. In substitution of said Liquidity Agreement, on January 8 2013, the company signed another Liquidity Agreement for class A shares, pursuant to the conditions set forth in Circular 3/2007, of 19th December, of the CNMV.

On November 8 2012, the company signed a Liquidity Agreement for Class B shares, with Santander Investment Bolsa, S.V., pursuant to the conditions set forth in Circular 3/2007, of 19th December, of the CNMV.

On December 31, 2013, the balance of treasury stock amounted to 40,009,307

In relation to transactions performed over the year, the number of treasury shares acquired stood at 70,151,213 while treasury shares disposed of amounted to 44,823,573. The net operating result amounted to 25,327,640 shares.

A.10. Indicate whether there are any restrictions on the transferability of stocks and/or any restrictions on the voting rights. In particular, state whether there are any kinds of restrictions that could impede the complete takeover of the company through the acquisition of its shares on the market.

No.

Description of the restrictions

A.11 Indicate whether the General Shareholders' Meeting agreed to implement any neutralization measures to prevent public takeovers pursuant to the provisions of Act 6/2007.

No.

A.12 Indicate whether the company has issued securities not negotiated on the community regulated market.

No.

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B.1 Indicate and detail the differences, if any, between the required quorum and that set forth in the Spanish Corporations Act (LSC) for convening the General Shareholders' Meeting.

No.

B.2 Indicate and detail the differences, if any, with regards to the system contemplated in the LSC for signing corporate agreements.

No.

B.3 Indicate the rules applicable to the amendment of the company's bylaws. In particular, the majority required in order for the bylaws to be amended and, as the case may be, stipulate the legal provisions for the protection of the rights of the partners in the amendment of the bylaws.

Article 11 of the rules of the General Meeting of Shareholders establishes a special quorum for the ordinary or extraordinary general meeting to be deemed as having validly agreed on the issuance of bonds, the increase or reduction of capital, changing, merging or splitting of the company and, in general, on any amendments whatsoever to the Bylaws: it would be necessary for at least fifty percent of the subscribed equity with voting rights to be present or represented at the shareholders' meeting, on the first call or twenty five percent of said capital on the second call. In the event of the attendance of shareholders with less than twenty-five percent of the subscribed capital with voting rights, decisions may only be taken with the favourable votes of two thirds of the capital present or represented in the Meeting".

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

- "1st Separate voting in matters of the amendment of bylaws or agreements and other operations that may negatively affect class B shares

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

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give rise to amortization of shares or to the reduction of capital in a non-identical manner for class A, class B or class C shares (as the case may be); the approval of the company's structural modification that does not amount to treatment identity in all of its aspects for class A and class B shares; the exclusion of the shares of the company from trading on any secondary stock exchange or securities market except through the presentation of an offer of acquisitions for the exclusion from trading as envisaged in the considerations for the class A, class B and class C shares (as the case may be); the issuance of class C or of any other class of preferred or privileged shares that may be created in future.

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

[...]

- "2nd. Matters that have to do with the amendment of bylaws and agreements and other operations that may negatively affect class B shares shall require separate voting

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

Notwithstanding the provisions of Article 293 of the Corporations Act, whatever the case may be, the Company's agreements on capital increase under whatsoever modality and under any formula that may give rise to the first issuance of class C shares shall, in addition to its approval in accordance with the legal provisions and with Article 30 of these Bylaws, require the approval of the majority of class B shares that may be in circulation"

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B.4 Give details of attendance at general meetings held during the financial year to which this report refers and during previous financial years.

Date of General Shareholders' Meeting	Attendance Data				
	% of physical presence	% in representation	% of absentee voting		Total
			Electronic voting	Other	
4-7-2013	63.60	4.89	0	4.89	68.48
9-30-2012	57.72	21.83	0	21.83	79.57
4-1-2012	56.70	7.78	0	7.78	64.48

B.5 Indicate whether there are any restrictions in the Bylaws establishing a minimum number of shares needed to attend the General Shareholders' Meetings.

Yes.

Number of shares required for attendance to the General Shareholders' Meeting 375

B.6 Indicate whether it was agreed that certain decisions entailing a structural modification of the company ("subsidiarization", purchase-sale of essential operational assets, operations equivalent to liquidation of the company...) shall be subject to the approval of the Shareholders' General Meeting, even if not specifically required under Commercial Laws.

No.

B.7 Indicate the address of and how to access the company's Website to obtain corporate governance and General Meeting information that should be made available to the shareholders through the Company's Website.

The Website address of Abengoa SA: www.abengoa.com/es . All the necessary and updated information relating to shareholders meetings can be found under the section of Corporate Governance.

The complete route to follow:

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

In compliance with article 539.2 of the Corporations Act, Abengoa approved the regulations for the shareholders' electronic forum to facilitate communication between shareholders in connection with convening and holding each shareholder's general meeting. Shareholders may send the following prior to each general meeting:

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- Proposals they wish to include on the agenda outlined in the call for the general meeting of shareholders;
- Requests for the inclusion of said proposals;
- Initiatives for acquiring the sufficient percentage for the exercise of a minority voting rights;
- Requests for voluntary representation

C. Structure of the company's governing body

C.1 Board of Directors

C.1.1 Indicate the maximum and minimum number of board members stipulated in the company Bylaws:

Maximum number of board members	15
Minimum number of board members	3

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C.1.2 Complete the following table with the Board members:

Personal or Corporate Name of board member	Representative	Seat on the Board	Date of 1st appt.	Date of last appt.	Election procedure
Felipe Benjumea Llorente		Executive Chairman	06/25/1983	04/07/2013	Voting Rights in Shareholders' Meetings
Aplicaciones Digitales, S.L.	Prof. José B. Tercero Lomba	Executive Vice-Chairman. Lead Director	04/15/2007	04/10/2011	Voting Rights in Shareholders' Meetings
Manuel Sánchez Ortega		Managing Director (CEO)	10/25/2010	04/10/2011	Voting Rights in Shareholders' Meetings
José Joaquín Abaurre Llorente		Director	06/25/1988	04/07/2013	Voting Rights in Shareholders' Meetings
José Luis Aya Abaurre		Director	06/25/1983	04/07/2013	Voting Rights in Shareholders' Meetings
Ms. Maria Teresa Benjumea Llorente		Director	04/15/2007	04/10/2011	Voting Rights in Shareholders' Meetings
Javier Benjumea Llorente		Director	06/25/1983	04/07/2013	Voting Rights in Shareholders' Meetings
Prof. José Borell Fontelles		Director	07/27/2009	04/07/2013	Voting Rights in Shareholders' Meetings
Prof. Ms. Mercedes Gracia Diez		Director	12/12/2005	04/11/2010	Voting Rights in Shareholders' Meetings
Ricardo Martínez Rico		Director	10/24/2011	04/01/2012	Voting Rights in Shareholders' Meetings
Claudio Santiago Ponsa		Director	02/23/2012	04/01/2012	Voting Rights in Shareholders' Meetings
Ignacio Solís Guardiola.		Director	04/15/2007	04/10/2011	Voting Rights in Shareholders' Meetings
Fernando Solís Martínez-Campos.		Director	04/15/2007	04/10/2011	Voting Rights in Shareholders' Meetings
Carlos Sundheim Losada		Director	04/15/2007	04/10/2011	Voting Rights in Shareholders' Meetings
Mrs. Alicia Velarde Valiente		Director	04/06/2008	04/01/2012	Voting Rights in Shareholders' Meetings

Total number of Board members 15

Indicate the terminations that occurred on the board of directors during the period being reported:

None.

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C.1.3 Complete the following tables on the board members and their different conditions:

Executive board members

Personal or corporate name of board member	Committee that proposed the appointment	Position within the company structure
Felipe Benjumea Llorente	Appointments and Remunerations Committee	Executive Chairman
Aplicaciones Digitales, S.L.	Appointments and Remunerations Committee	Vice-chairman
Manuel Sánchez Ortega	Appointments and Remunerations Committee	Managing Director (CEO)
Javier Benjumea Llorente	Appointments and Remunerations Committee	Director

Total number of executive Board members 4

Total % of Board 26.67 %

Independent External Directors

Personal or corporate name of board member	Committee that proposed the appointment	Personal or corporate name of the significant shareholder they represent or which proposed their appointment
Fernando Solís Martínez-Campos.	Appointments and Remunerations Committee	Inversión Corporativa, I.C., S.A.
Ignacio Solís Guardiola.	Appointments and Remunerations Committee	Inversión Corporativa, I.C., S.A.
José Joaquín Abaurre Llorente	Appointments and Remunerations Committee	Inversión Corporativa, I.C., S.A.
José Luis Aya Abaurre	Appointments and Remunerations Committee	Inversión Corporativa, I.C., S.A.
M ^{ra} . Teresa Benjumea Llorente	Appointments and Remunerations Committee	Inversión Corporativa, I.C., S.A.
Carlos Sundheim Losada	Appointments and Remunerations Committee	Inversión Corporativa, I.C., S.A.
Claudio Santiago Ponsa	Appointments and remunerations Committee	First Reserve Corporation

Total number of proprietary Board members 7

Total % of Board 46.67%

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External Independent Board members

Personal or corporate name of board member	Profile
Prof. José Borell Fontelles	Independent
Mrs. Alicia Velarde Valiente	Independent
Prof. Ms. Mercedes Gracia Diez	Independent
Ricardo Martínez Rico	Independent

Total number of independent board members 4

Total % of board members 26.67%

Indicate whether any director classified as independent receives any amount or benefit from the company or from his/her own group, in any concept other than the remuneration as a board member, or whether he/she maintains or has maintained a business relation with the company or with any company within its group during the last financial year, in his/her own name or as significant shareholder, board member or top executive of a company that maintains or has maintained such relationship.

As the case may be, the board shall include a statement outlining the reasons why it deems that said board member can perform his/her duties in the capacity as independent board member.

Personal or Corporate Name of board member	Relationship Description	Reasons
Ricardo Martínez Rico	Provision of Services Agreement signed between Abengoa, SA and Economic Team, SL whereby the Company undertook to providing comprehensive and strategic consulting to Abengoa. Mr .Ricardo Rico Martinez is Executive Chairman of the Economic Team, SL	According to the definition of an independent director, Mr. Ricardo Martínez Rico meets the independence requirements necessary to stop performing their duties as independent director, as the perceived benefit does not acquire significant character in relation to the total annual benefits Economic Team.

Other External Board members

Not applicable.

Explain the reasons why these cannot be considered independent or proprietary, and detail their connections with the company, its executives or shareholders.

Not applicable.

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Indicate the variations, if applicable, that occurred during the period in the typology of each board member:

Not applicable.

C.1.4 Complete the following table with the information on the number of female board members for the last four financial years, including the capacity of such board members:

	Number of Female Board Members				% of total of board members in each typology			
	Financial Year 0	Financial Year-1	Financial Year-2	Financial Year-3	Financial Year 0	Financial Year-1	Financial Year-2	Financial Year-3
Ejecutiva	0	0	0	0	0	0	0	0
Dominical	1	1	1	1	12	12	12	12
Independiente	2	2	2	2	50	50	50	50
Otras Externas	0	0	0	0	0	0	0	0
Total:	3	3	3	3	20	20	20	20

C.1.5 Explain, as the case may be, the measures taken by the company to ensure the inclusion of females onto the Board of Directors in an amount that may ensure the male/female equilibrium.

Explanation of the measures

Four of the members of the Board of Directors are independent and two of them are female. The appointments and remunerations committee promotes the inclusion of females on the board of directors and this is specifically enforced in the category of the independent board members since the rest of the other members that make up the Board are proprietary board members whose selections do not directly depend on the Committee. Thus, Abengoa ensures that the number of women is equal to that of men with regards to the number of independent board members by apply the policy established in Article 1 letters a and b of the Appointments and Remunerations Committee Regulations which specifically outlines the quest for equal opportunities. "Article 1 - Composition and Structure". [...] "The Appointments Committee shall establish procedures and, in the event of new vacancies, shall ensure that:

- the procedures for filling in board vacancies refrain from implicit bias against female candidates;
- the company makes conscious efforts to include females in the target profile among the candidates for board positions."

Moreover, through the company's Equality Framework Plan, Abengoa has defined a corporate strategy in the field of equal rights between male and female. Thus, all Abengoa companies and work centres take and use this Plan as reference to develop and approve their own. In 2009, to ensure the practice of these values, Abengoa created the Equal Opportunity and Treatment Office (OITO) under the Equality Framework Plan. The mission of this office is to advocate gender equality with the whole organization, promoting, developing and managing the Equality Framework Plan and all plans associated with it.

In addition, the company created the Equal Opportunity and Treatment Committee, presided over by the Human Resources Director and integrated by the HR heads from the various areas and geographical locations of the business as well as by the CSR director as permanent members, for the purpose of worldwide follow-up, and subsequent development of the issues relating to equal opportunity among the male and female employees of Abengoa.

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C.1.6 Explain the measures, as the case may be, that the Appointments Committee may have agreed upon to ensure that selection procedures refrain from implicit bias that would otherwise impede the selection of female members, and that the company purposefully seeks to include and includes female candidates that meet the professional profile sought:

Explanation of the measures

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

The Committee, which includes women in its rank and file, assesses the competences, knowledge and experience that the Board requires, and defines the aptitude and functions sought in the candidates to occupy the vacancy available, evaluating the time and dedication such candidates may require to be able to diligently perform their duties, and then decide by majority vote.

If albeit the measures implemented, as the case may be, the number of female board members is still scarce or non-existent, explain the reasons to justify such scarcity:

Explanation of Reasons

Not applicable.

C.1.7 Explain the manner in which shareholders with significant shares are represented on the board.

Shareholders with significant shares are represented by proprietary (dominion) board members who exercise their functions based on the company's code of conduct and on the rest of the standards and regulations deemed applicable to all members of the board.

C.1.8 Explain, as the case may be, the reasons why proprietary members were appointed at the request of shareholders with stakes amounting to less than 5 % of the stock capital:

Personal or Corporate Name of the shareholder

Reason

D. Claudi Santiago Pons

Under the investment framework agreement signed on November 9, 2011 between Abengoa and First Reserve Corporation, Inversión Corporativa IC and Finarpisa SA, in their capacity as Abengoa shareholders, made a commitment, effective November 4, 2011, undersigned on October 4, 2011, to regulate the exercise of their respective voting rights in the Abengoa general meetings in relation to the proposal, appointment, ratification, re-election or replacement of a board member representing First Reserve Corporation.

By virtue of said commitment, Inversión Corporativa I.C., S.A. and Finarpisa, S.A., jointly agreed:

(i) to vote on the following through their representatives on the Board of Directors of Abengoa: (a) the appointment of the candidate proposed to said board to serve as board member designated by investor based on the co-optation procedure envisaged in the Corporations Act; and (b) the proposal to recommend to the shareholders of Abengoa during their next general meeting to nominate, as the case may be, a substitute for the board member designated by investor on the Board of Directors.

(ii) to vote in the corresponding general meeting of shareholders of Abengoa in favour of the appointment of the candidate proposed by Investor to serve as investor's representative on the Board of Directors

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

Not applicable.

C.1.9 Indicate whether any board member resigned his/her post before the end of his/her term of office, whether reasons were given to the Board and how, and, if in writing to the entire Board, at least explain the reasons given by the board member:

No.

C.1.10 Indicate, if any, the powers delegated by any Chief Executive Officers:

Personal or corporate name of board member	Brief description
Felipe Benjumea Llorente	All the faculties of the board except for those that cannot be legally delegated.
Manuel Sánchez Ortega	All the faculties of the board except for those that cannot be legally delegated.

C.1.11 Identify, if any, the board members that hold administrator or directive positions in other companies making up the group of companies listed on the stock market:

Personal or Corporate Name of board member	Corporate name of entity of group	Post
Prof. José B. Terceiro	Bioetanol Galicia, S.A	Executive Chairman
Javier Benjumea Llorente	Abengoa Bioenergía, S.A.	Executive Chairman
Ms. Maria Teresa Benjumea Llorente	Sociedad Inversora en Energía y Medio Ambiente, S.A.	Board Member
Manuel Sánchez Ortega	Abengoa Bioenergía, S.A.	Director

C.1.12 Provide details, if any, of company Board members who also sit on the boards of other entities not belonging to the same business unit and are listed on the Spanish Stock Exchange, of which the company is aware:

Not applicable.

C.1.13 Indicate, and if so, explain whether the company has established rules on the number of other boards on which its own Board members may sit.

No.

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C.1.14 State the company's general policies and strategies that the board reserved the powers to approve in plenary session:

	Yes	No
Investment and financing policy	x	
Definition of the structure of the group of companies	x	
Corporate governance policy	x	
Corporate social responsibility policy	x	
The strategic or business plan, management targets and annual budgets	x	
Senior staff performance remuneration and evaluation policy	x	
Risk control and management policy, and the regular monitoring of internal information and control systems	x	
Dividend and treasury stock policies and especially their limits	x	

C.1.15 Indicate the comprehensive remuneration of the Board of Directors:

Comprehensive remuneration of the Board of Directors (in thousands of Euros)	15,421
Amount of the comprehensive remuneration for the concept of accumulated pension entitlements (in thousands of Euros)	0
Comprehensive remuneration of the Board of Directors (in thousands of Euros)	15,421

C.1.16 Identify any senior management staff that is not also an executive board member, and indicate the total remunerations payable to said staff during the financial year:

Personal or Corporate Name	Post(s)
Mr. Javier Garoz Neira	Director Bioenergy
Mr. Alfonso González Domínguez	Director of Engineering and Constr. Industrial and Latin America
Mr. Santiago Seage Medela	Director of Concessions
Mr. Carlos Cosin Fernández	Abengoa Water Director
Mr. Miguel Ángel Jiménez-Velasco Mazarío	General Secretary
Mr. José Fernando Cerro Redondo	General Counsel Services
Mr. José Marcos Romero	Director Nomination and Remuneration
Mr. José Domínguez Abascal	Secretary General Technical
Mr. Álvaro Polo Guerrero	Director HR
Mr. Luis Fernández Mateos	Organization Director, Quality and Budgets
Mr. Jesús Ángel García-Quilez Gómez	Co-CFO Financial Markets
Mr. Juan Carlos Jiménez Lora	Planning and Control Manager
Mr. Luis Enrique Pizarro Maqueda	Internal Audit Manager
Mr. Enrique Borrajo Lovera	Consolidation Manager
Ms. Izaskun Artucha Corta	Director Corporate Strategy and Development
Ms. Bárbara Sofía Zubiria Furest	Co-CFO Capital Markets & IR
Mr. Germán Bejarano García	International Institutional Relations Director
Mr. Fernando Martínez Salcedo	General Secretary Sustainability
Total of remunerations for senior executives (in thousands of Euros)	14,656

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C.1.17 Identify, if any, the members of the Board of Directors who are also members of the board of directors of companies that hold significant shares and/or group entities:

Personal or Corporate Name of board member	Corporate name of significant shareholder	Post
Mr. Felipe Benjumea Llorente	Inversión Corporativa, I.C, S.A.	Executive Chairman
Mr. Felipe Benjumea Llorente	Finarpisa, S.A.	Executive Chairman
Mr. Javier Benjumea Llorente	Inversión Corporativa, I.C, S.A.	Member
Ms. Maria Teresa Benjumea Llorente	Inversión Corporativa, I.C, S.A.	Member
Mr. Ignacio Solís Guardiola.	Inversión Corporativa, I.C, S.A.	Member
Mr. Fernando Solís Martínez Campos	Inversión Corporativa, I.C, S.A.	Member
Mr. José Luis Aya Abaurre	Inversión Corporativa, I.C, S.A.	Member
Mr. José Joaquín Abaurre Llorente	Inversión Corporativa, I.C, S.A.	Member

Provide details of any relevant relations, as the case may be, other than those contemplated in the previous section, between members of the board of directors and significant shareholders and/or group entities:

Not applicable.

C.1.18 Indicate whether any of the rules and regulations of the board were amended during the financial year

Sí.

Description of amendments

On December 16, 2013, Abengoa's Board of Directors unanimously agreed to homogenize the enumeration and description of the functions of the Appointments and Remunerations Committee and of the Audits Committee (Article 3 of their respective Regulations) with Articles 27 and 28 of the Board of Directors' Regulations to ensure that said functions are consistent with the CNMV Transparency Laws and Standards in order to avoid the possible interpretation that any aspect is lacking, ignored or being regulated in a manner different from how it is stipulated by law.

C.1.19 Indicate the procedures for the selection, appointment, reappointment, appraisal and removal of Board members. Provide details of the competent bodies, the processes to be followed and the criteria employed in each of the procedures.

The Appointments and Remunerations Committee is the competent body in all cases and provides the Board of Directors with duly substantiated proposals, applying the criteria of independence and professionalism as established in the regulations governing the Board and said Committee.

The performance of the board members and of the executive board members is evaluated on the Appointments Committee's proposal through substantiated reports filed to the Board during the meeting held in the subsequent first quarter that follows the closing of the previous financial year and after obtaining or at least knowing the accounting estimate for the financial year closing and upon receipt of the auditor's report since both are essential as evaluation criteria.

The Audit Committee and the Appointment and Remunerations Committee were formed on December 2, 2002 and on February 24, 2003, respectively. On the same date, the board of directors prepared a proposal to amend the bylaws for the purpose of incorporating provisions for the Audit

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Committee, the proposal for regulating meetings of Shareholders, the partial amendments to board of directors' regulations and, finally, the internal regulations of the audits committee and of the appointments and remunerations committee, approved by the general shareholders' meeting held on June 29, 2003.

In February 2004 the composition of both committees was changed to permit independent board members from outside the company to become members of said committees. Consequently, mainly independent non-executive board members joined (with the exception of the coordinator who is member of the Board of Directors and of the Audits Committee) the audits committee and the appointments and remunerations committee, in accordance with the stipulations in the Law on Financial Systems Reform Measures. As a result, the first two independent board members were appointed by the board of directors since there was still, logically, no appointments committee. Said independence is also ratified on annual basis by the Appointments Committee. Once created, it was entrusted with the duty to propose the appointment of board members, and since then it has remained in charge of proposing to the Board of Directors

With regards to the procedures for selecting and appointing independent board members, the appointments and remunerations committee is the body in charge of selecting profiles that best represent the needs of the different interest groups among professionals of different fields and of renowned national and international prestige. The procedure for selecting them is based on merits and on the intention to cover any vacancy with professional profiles that are not linked to any specific interests.

Thus, the appointments and remunerations committee performs annual inspections to verify the sustenance of the conditions met for the appointment of the board member and the nature and typology assigned to said member, and then includes the information in the corporate governance annual report. The appointments committee likewise strives to ensure that the selection procedures for filling in vacancies refrain from implicit biases that may hinder the inclusion of females that fit the required profile into the potential candidates. Its functions also include reporting to the Board of Directors on appointments, re-elections, terminations and remunerations of board members and posts, as well as the general policy of remunerations and incentives for board members and for the senior management and to inform the board of directors in advance of all proposals to be submitted to the general shareholders for the appointment or dismissal of board members, even in cases of co-optation by the said board of directors.

In relation to the above, external auditors issue annual verification reports that are independent from the report issued by the corporate governance of Abengoa S.A., evaluating whether its contents conform both with the recommendations of the report of the special work group on the good governance of listed companies (Unified Code of Good Governance) as well as with the amendments fostered by virtue of Law 2/2011, of 4th March, on Sustainable Economy.

C.1.20 Indicate whether the Board of directors made any efforts to assess its activities during the financial year:

Yes.

If so, explain to what extent the self-assessment has given rise to significant changes in its internal organization and regarding the procedures followed in its activities:

Description of significant changes

There were no significant changes.

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C.1.21 Indicate the cases in which Board members are obliged to resign.

Directors are removed from office when the term for which they were appointed comes to an end, and in all other cases deemed appropriate by law, the bylaws or the regulations.

Board Members are obliged to surrender their posts to the board of directors and to formalize their resignation, if the board deems it convenient, in the following cases:

- a) If they are involved in any of the supposed incompatibilities or prohibitions envisaged by law;
- b) If deemed severely liable by any public authority for infringing upon their obligations as board members;
- c) If the board itself requests it so because board member is deemed to have infringed upon his/her obligations thereof;

Thus, Article 13 (Board Member Termination) of the Board of Directors Regulations establishes that:

- 1. Board Members duties shall be terminated if the duration period of the appointment expires or if all other cases deemed appropriate by the Law, the Bylaws, and the Regulations, occur.
- 2. Board Members are obliged to surrender their posts to the board of directors and to formalize their resignation, if the board deems it convenient, in the following cases:
 - a) If they are involved in any of the supposed incompatibilities or prohibitions envisaged by law;
 - b) If deemed severely liable by any public authority for infringing upon their obligations as board members;
 - c) If the board itself requests it so because board member is deemed to have infringed upon his/her obligations thereof;
- 3. When the period expires or duty is terminated, whatever the reason, said board member may not render any services to any other competing entity for a period of two years, except if the board of directors release him/her from this obligation or shortens the duration

C.1.22 Indicate whether it is the chairman of the board of directors who also serves as the company's chief executive. If so, outline the measures taken to limit the risks entailed in concentrating powers in a single person:

Yes.

Measures to limit risks.

In accordance with the provisions of article 44 bis of the Company's Bylaws, on December 2, 2002 and on February 24 2003, the board of directors set up the audits committee and the appointments and remunerations committee, respectively.

These committees are vested with the necessary non-delegable powers inherent in the responsibilities assigned them by law, by the bylaws and by their respective internal regulations, which makes them organs of monitoring and supervision of issues within their power.

Both are presided over by independent, non-executive board members, and majority of the members of said committees are independent and non-executive board members.

On December 10, 2007, the board of directors decided to appoint Prof. José B. Terceiro Lomba (representing Aplicaciones Digitales SL), coordinator-board member, as Executive Deputy Chairman of the board of directors, with the consent of all the other board members and especially the independent members.

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On October 25, the board of directors also decided to appoint Mr. Manuel Sánchez Ortega as CEO sharing his executive duties with Mr. Felipe Benjumea Llorente. Based on the explanation above, with four executive board members, and an ample majority of independent or external board members, all the decisions taken by the top executive are subject to effective monitoring to ensure that power is not concentrated in the top executive, to boost decision-making and to allow the company governance to function properly.

Indicate and, if so, explain whether rules were established to empower any independent board member to request the convening of a board meeting, or to include new items on the agenda, in order to coordinate and echo the concerns of external board members and to oversee the assessment by the board of directors.

Yes.

Explanation of the rules.

There are currently fifteen members on the board of directors. The Board of Directors Regulations governs the composition, functions and internal organization of the governing body. The company also has an Internal Code of Conduct that bounds the board of directors, the senior management and all other employees deemed affected, by virtue of the positions or powers they may hold in matters relating to the Stock Market. The Shareholders' General Meeting Regulations governs the formal aspects and the internal system for holding shareholders' meetings. Lastly, the board of directors is assisted by its audits committee and the appointments and remunerations committee, both of which have their own respective internal regulations. All these rules and regulations, set forth in a consolidated text of the company's Internal Good Governance Rules, are available on the company's website: www.abengoa.es and www.abengoa.com. Since it was formed, the appointments and remunerations committee has been analysing the structure of the company's governing body and adapting it to the recommendations of corporate governance, especially to the historic and special configuration of said bodies within Abengoa. In February 2007, based on this analysis, the committee recommended the creation of the post of coordinating director, and the elimination of the Board of Directors' Advisory Board. The first measure was in order to incorporate the most recent corporate governance recommendations made in Spain in 2006; the second, because it was deemed that said Advisory Board had already performed the duty for which it was originally created and that its coexistence with the corporate bodies could lead to conflicts of power. Both proposals were approved at the Board of Directors' meeting held in February 2007 and at the General Shareholders' Meeting held on April 15 of the same year. Thus, Prof. José B. Terceiro was appointed (on behalf of Aplicaciones digitales, S.L.) as coordinating board member, in his capacity as independent member. On a final note, in October 2007 the committee proposed that the board accepts the resignation of Mr. Javier Benjumea Llorente from his post as Deputy Chairman and revokes his delegated powers, and that the board should accept the appointment of a new natural person to represent Abengoa and Focus-Abengoa Foundation in entities or companies where representation is required.

The committee then decided to revisit the study of the number and characteristics of the Deputy Chairman of the board of directors within the current structure of governing bodies.

As a result, the committee thought it necessary that the powers of the Deputy Chairman of Abengoa be restricted to those conferred under the Spanish Corporations Act as regard the organic representation of the company on the one hand, and as balance to the Chairman's functions on the board of directors, on the other. Thus, it was considered that the coordinating board member – with the functions assigned by the resolutions of the board of directors (February 2007) and the shareholders' general meeting (April 2007) – was the ideal figure, given the corporate governance recommendations and the company structure, as well as the composition and diversity of its directors. The coordinating board member has already been entrusted with the task of coordinating the concerns and motivations of the other board members, and empowered to convene board meetings and to include new items on the agenda. In its role as the visible protector of the interests of the Board members, it holds more of a de facto than of a de jure kind of representation on the Board,

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such that it seemed appropriate to confirm and expand this representation by making the post both institutional and organic. For the reasons outlined above, the committee proposed Aplicaciones Digitales, S.L. (Aplidig, represented by Prof José B. Terceiro Lomba), the current coordinating director, as the new Executive Deputy Chairman to the Board of Directors. In addition, and within the functions of organic representation, the executive deputy chairman, jointly with the chairman of the board of directors, has been put forward as the physical representative of Abengoa, in its capacity as the Chair of the Board of the Focus-Abengoa Foundation, as well as in any other foundations and institutions in which the company is or should be represented.

In view of the above, on December 10, 2007, the board of directors agreed to appoint Aplicaciones Digitales, S.L. (represented by Prof José B. Terceiro Lomba), the current coordinating director, as Executive Deputy Chairman of the Board of Directors, and the independent board members gave their unanimous consent to retaining his position as coordinating board member in spite of his new appointment as Executive Deputy Chairman. In addition, and within the functions of organic representation (conferred through a power of attorney granted by the board of directors on July 23, 2007), the Executive Deputy Chairman, together with the Chairman of the Board of Directors, was proposed as joint physical representative of Abengoa, in its capacity as the Chair of the Board of Focus-Abengoa Foundation, and of any other foundations and institutions in which the company is or should be represented.

C.1.23 Does the company require supermajorities other than the legal majorities for any type of resolution? If so, provide a description of the differences.

No.

C.1.24 Explain whether there are specific requirements other than those relating to Board members for being appointed Chairman of the board of directors.

No.

C.1.25 Indicate whether the Chairman has a deciding vote:

Yes.

Matters in which there is a deciding vote:

In the event of draws.

C.1.26 Indicate whether the bylaws or board regulations establish any age limit on board members:

No.

C.1.27 Indicate whether the bylaws or board regulations establish a limited mandate for independent board members, other than established in the law:

No.

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C.1.28 Indicate whether the bylaws or the board of directors' regulations establish specific regulations for delegating voting rights on the board of directors, how it is done and, in particular, the maximum number of delegations that may be conferred on a board member, as well as whether it has been made compulsory to delegate in a board member of similar class. If so, provide brief details of said regulations.

None.

The second section of Article 10 of the Regulations of the Board of Directors establishes the following:

"Each board member may confer his/her representation upon another board member without it limiting the number of representations that each may hold for attendance to the board. The representation of the absent board members may be conferred in writing by any means whatsoever, including telegram, telex or telefax addressed to the chair."

C.1.29 Indicate the number of board meetings held during the financial year. Likewise indicate, if any, the number of times the Board met without the chairman in attendance: Proxies granted with specific instructions for the meeting shall be counted as attendances:

Number of board meetings 16

Number of board meetings without the attendance of the Chairman 0

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

Number of meetings of the Executive or Delegate Committee	Not applicable.
Number of meetings of the Audit Committee	4
Number of meetings of the Appointments and Remunerations Committee	4
Number of meetings of the Appointments Committee	Not applicable.
Number of meetings of the Remunerations Committee	Not applicable.

C.1.30 Indicate the number of board meetings held during the year with the attendance of all its members. Proxies granted with specific instructions for the meeting shall be counted as attendances:

Attendance of Board Members	16
% of attendances of the total votes cast during the year	97.92

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C.1.31 Indicate whether the individual and consolidated financial statements submitted for approval to the board of directors are first certified:

Identify, as the case may be, the person or persons who certified the company's individual and consolidated financial statements, for their approval by the Board:

Name	Post
Bárbara Sofía Zubiría Furest	Co-CFO Capital Markets & IR
Enrique Borrajo Lobera	Director of Consolidation

C.1.32 Explain, if any, the mechanisms put in place by the board of directors to ensure that board-prepared individual and consolidated financial statements are not presented at shareholders' general meetings if the audits report contains reservations.

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

C.1.33 Is the Board Secretary also a board member?

No.

C.1.34 Explain the procedures for the appointment and removal of the secretary to the board, indicating whether they are proposed by the appointments committee and approved by plenary session of the Board.

Appointment and Removal Procedure.

The appointments and remunerations committee makes the proposal.

	Yes	No
Does the Appointments Committee report on appointments?	x	
Does the Appointments Committee report on removals?	x	
Does the plenary session of the Board approve appointments?	x	
Does the plenary session of the Board approve removals?	x	

Is the Secretary to the Board entrusted with the duty of ensuring compliance with the recommendations on good governance?

Yes.

Comments

The secretary of the board of directors is the person in charge of ensuring follow-up on corporate good governance recommendations and at the same time the person in charge of ensuring compliance with the internal rules and regulations.

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C.1.35 Indicate, as the case may be, the mechanisms established by the company to preserve the independence of the external auditors, financial analysts, investment banks and rating agencies.

Article 27 of the Board of Directors Regulations establishes the function of the audits committee as being to ensure the independence of the external auditor, which includes ensuring an inspection of the services rendered, the limits on the concentration of the auditor's business, and in general, other regulations in existence to ensure the independence of the auditors. With regards to financial analysts and investment banks, the company maintains an internal procedure for issuing a request for three offers that may be contracted, at the same time the company prepares a mandate letter which reflects the specific terms of the work contracted. As regards credit rating agencies we have the ratings of three agencies plus their mandate letters.

C.1.36 Indicate whether the company changed its external auditor during the financial year. If so, identify the incoming and outgoing auditors:

No.

In the event of disagreements with the outgoing auditor, please provide details:

No.

C.1.37 Indicate whether the audit firm performs other non-audit work for the company and/or its business group and, If so, state the total fees paid for such work and the percentage this represents of the fees billed to the company and/or its business group:

	Company	Group	Total
Fees for non-audit work (in thousands of Euros)	928	1,274	2,202
Fees for non-audit work/total amount invoiced by the audit firm (in %)	98	25	37

C.1.38 Indicate whether the audit report on the financial statement for the previous financial year contains reservations or qualifications. If so, detail the reasons given by the Chairman of the Audit Committee to explain the content and scope of such reservations or qualifications.

No.

C.1.39 State the number of consecutive years during which the current audit firm has been auditing the financial statement of the company and/or its business group. Also indicate the percentage of years the current audit firm has been auditing the accounts over the total number of years the financial statement have been audited:

	Company	Group
Number of consecutive years	2	2
Number of years audited by the current auditing company / number of years the company has been audited	9	9

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C.1.40 Indicate and, if applicable, provide detail of the procedure by which directors may seek external consultancy.

Details of the procedure.

The Secretary to the Board of Directors exercises the functions legally attributed to that position. At present, the office of secretary and legal consultant are vested in the same person, who is responsible for ensuring that meetings are validly convened and that resolutions are validly adopted on the Board. In particular, he/she advises board members on the legality of the deliberations and motions put forward and on compliance with the Internal Corporate Governance Regulations, which renders him/her the guarantor of the principle of formal and material legality which governs the actions of the Board of Directors. The secretary to the Board of Directors, as a specialized guarantor of the formal and material legality of the board's conduct, has the full support of the latter to execute its functions with complete independence of criteria and stability, and is responsible for ensuring compliance with the internal regulations on corporate governance. Single-handedly, or through the board members, he/she channels the external consultancy necessary for the due training of the board.

The Board of Directors has access to external, legal or technical consultants, depending on its needs, which may or may not be arbitrated through the Board secretary. The second paragraph of Article 19 of the Regulations of the Board of Directors sets forth that

"Through the Chairperson of the Board of Directors, Board Members shall be empowered to submit a proposal by majority to the Board of Directors to engage the services of a legal, accounting, technical, financial, commercial or any other kind of consultants deemed necessary in the interests of the Company to provide assistance in the exercise of their duties in dealing with specific problems of certain magnitude and complexity linked with the exercise of such duties."

C.1.41 Indicate and, as the case may be, provide detail of the procedure by which board members can obtain the necessary information in advance to prepare for meetings of the governing bodies:

Yes.

Details of the procedure:

Sending documents and/or making them available at the Board headquarters in advance of Board Meetings. Also, in compliance with the stipulations in recommendations 24 and 25 of the Unified Code of Good Governance, the company prepared a handbook of basic internal regulations applicable to the functions and responsibilities of the board member to be issued to each new board member appointed, to provide vast knowledge of the company and its internal rules.

C.1.42 Indicate and, as the case may be, provide detail of whether the company established rules that oblige directors to report and, where appropriate, resign in cases where the image and reputation of the company may be at stake:

Yes.

Explain the rule.

Article 13 of the Board of Directors Regulations establishes that "Board members must offer to resign and, if the Board of Directors considers it appropriate, resign under the following circumstances: if deemed to be involved in any of the legally envisaged situations of incompatibility or prohibition."

Section (p) of Article 14.2 of the same Regulation also establishes the obligation of the board members to inform the company of all legal and administrative claims and of any other claims that, given the magnitude, may severely affect the reputation of the company.

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C.1.43 Indicate whether any member of the Board of Directors informed the company that he/she was tried or formally accused of any of the offences stipulated in Article 213 of the Spanish Corporations Act:

No.

Indicate whether the Board of Directors analysed the case. If the answer is yes, explain the reasons for the decision taken on whether or not the board member should continue to hold its post or, as the case may be, state the actions that the Board of Directors have taken up to the date of this report or the report intended to be issued later.

Not applicable.

C.1.44 List the still valid significant agreements signed by the company, whether modified or terminated in the event of a change in the company's control through a hostile takeover bid, and its effects.

Not applicable.

C.1.45 Identify in sum and provide detail of the agreements signed between the company and its administrative, management or employee posts with compensations, guarantees or protection clauses, in the event of resignation or unlawful dismissal or if contractual relationship is abruptly halted because of a hostile takeover bid or other kinds of transactions.

Not applicable.

Indicate whether the governing bodies of the company or its group must be informed of and/or must approve such contracts:

Not applicable.

C.2 Committees of the Board of Directors

C.2.1. Give details of all committees of the board of directors, their members and the proportion of proprietary and independent board members on such committees:

Audits Committee.

Name	Post	Typology
Prof. Ms. Mercedes Gracia Diez	Chairperson	Independent
José Joaquín Abaurre Llorente	Member	Proprietary (Dominion)
Prof. José Borell Fontelles	Member	Independent
Ms. Alicia Velarde Valiente	Member	Independent
Mr. Ricardo Martínez Rico	Member	Independent
% of executive board members	0	
% of proprietary board members	20	
% of independent board members	80	

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Appointments and Remunerations Committee

Name	Post	Typology
Prof. José Borell Fontelles	Executive Chairman	Independent
José Luis Aya Abaurre	Member	Proprietary (Dominion)
Prof. José B. Terceiro	Member	Executive
Ms. Alicia Velarde Valiente	Member	Independent
Prof. Ms. Mercedes Gracia Díez	Member	Independent
% of executive board members	20	
% of proprietary board members	20	
% of independent board members	60	

C.2.2 Complete the following table using the information relating to the number of female board members who have served on the Board of Directors committees over the past four financial years:

	Number of Female Board Members			
	Financial Year-0 Number %	Financial Year-1 Number %	Financial Year-2 Number %	Financial Year-3 Number %
Executive Committee	0	0	0	0
Audits Committee	2 (40)	2 (40)	2 (40)	1 (20)
Appointments and Remunerations Committee	2 (40)	2 (40)	2 (40)	1 (20)
Appointments Committee	0	0	0	0
Remunerations Committee	0	0	0	0

C.2.3 Indicate whether the following functions are vested in the Audit Committee:

	Yes	No
Monitoring the preparation process and the integrity of the financial report with regards to the company and, as the case may be, the group, verifying compliance with legal requirements and the correct application of accounting criteria, and appropriately specifying the scope of consolidation.	x	
Frequently assessing the internal risks monitoring and management systems so that the main risks are adequately identified, managed and revealed.	x	
Monitoring the independence and efficacy of internal auditing; proposing the selection, appointment, re-election and removal of the head of internal audit; proposing the department's budget; receiving regular feedbacks on its activities; and verifying whether senior management is acting on the findings and recommendations of the reports.	x	
Establishing and supervising mechanisms by which employees may secretly and, if necessary, anonymously report potentially significant, Especially, financial and accounting irregularities, with potentially serious implications for the company	x	
Presenting proposals to the Board of Directors for the selection, appointment, re-selection and substitution of the external auditor, and the contracting conditions.	x	
Regularly receiving information on the audit plan and on the implementation results from the external auditor, and ensuring that the senior management takes the recommendations into account.	x	
Ensuring the independence of the external auditor	x	

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C.2.4 Describe the rules of organization and function, as well as the responsibilities attributed to each of the Committees of the board of directors.

Committee name.

Appointments and Remunerations Committee.

Brief description.

To report on and propose the appointment, re-selection or dismissal of members of the Board of Directors and the International Advisory Board and their positions pursuant to the legal provisions, the bylaws and to the general policy of remunerations and incentives for them and for the senior staff.

To issue prior report on all proposals that the Board of Directors may submit to the general shareholders for the appointment or dismissal of board members, even in cases of co-optation by the board of directors itself.

To approve the remuneration policy for the company's senior staff and for the members of the Board of Directors and the International Advisory Board.

To evaluate the abilities, knowledge and experience necessary on the board, defining the roles and capabilities required of the candidates to fill each vacancy, and deciding on the time and dedication necessary for the proper execution of their duties.

To examine or organize the succession of the chairman and chief executive and, if need be, to issue recommendations to the board to ensure the planned and orderly fashion of said succession.

To report on the appointments and dismissals of senior staff as proposed by the chief executive to the Board.

To report to the Board on the aspect of gender and diversity.

– To make the following proposals to the Board of Directors:

- (i) The remuneration policy for board members and senior management;
- (ii) Individual remuneration of board members and approval of contracts that company may sign with each executive board member;
- (iii) The standard conditions for senior management employment contracts.

To ensure compliance with the remuneration policy set forth by the company.

To consult the company's Chairman or chief executive, especially on matters relating to executive board members and senior staff.

To analyse requests that may be issued by any Board Member for the purpose of considering potential candidates to cover Board membership vacancies.

To prepare annual reports on the activities of the Appointments and Remunerations Committee itself and to include such reports in the Management Report.

Committee name.

Audits Committee.

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Brief description.

1st In relation to the Internal Monitoring and Reporting Systems:

- a) To know the process of the company's Financial Reporting and Internal Monitoring Systems.
- b) To report on the Annual Accounts, as well as on the quarterly and half-yearly financial statements that must be issued to the regulatory or supervisory bodies of the securities markets, specifically mentioning the internal control systems, verifying compliance and monitoring through internal auditing and, when applicable, reporting on the accounting criteria applied.
- c) To monitor the preparation process and the integrity of the financial report with regards to the company and, where applicable, the group, verifying compliance with legal requirements and the correct application of accounting criteria, and appropriately specifying the scope of consolidation.
- d) To regularly review the internal monitoring, internal auditing, and risks management systems for the purpose of identifying the main risks, so as to manage them and to report them appropriately, and to join accounts auditors or auditing companies in discussing the significant weakness that may be detected in the internal monitoring system during the auditing process.
- e) To supervise and ensure the independence and effectiveness of the duties of internal audits and to oversee them, with full access to said audits, proposing the selection, appointment, re-selection and dismissal of heads of internal audits, proposing the budget for said unit, and setting the salary scale of its Director; obtaining regular information on the activities and the budget of the unit; and ensuring that the senior staff consider the conclusions and recommendations in its reports.
- f) To establish and supervise a mechanism by which staff can confidentially and, if necessary, anonymously report any and all irregularities detected in the course of their duties, especially financial or accounting irregularities, with potentially serious implications for the company.
- g) To summon any company employee or manager, even ordering them to appear before the committee without the presence of any other senior staff.
- h) To supervise the compliance with Internal Codes of Conduct regarding Securities Markets and the Policy on the Use of Relevant Information and the Rules of Corporate Governance.
- i) To inform the Board of Directors on the following points before said board is to take any relevant decisions thereof:
 - I. The financial information that all listed companies must periodically disclose. The Committee making specifically sure that interim statements are drawn up under the same Accounting principles as those of the annual statements and, for verification purposes, asking the external auditor to conduct limited reviews.
 - II. The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other comparable transactions or operations with complexities that might impair the transparency of the group.
 - III. Associated transactions.
- j) To supervise compliance with the Internal Codes of Conduct regarding Securities Markets and the Policy on the Use of Relevant Information and the Rules of Corporate Governance.
- k) To inform the board of directors about any changes in the accounting criteria, and on any risks either on or off the balance sheet.
- l) To inform the General Shareholders on questions posed by shareholders, on issues within their powers.

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- m) To summon any Board Member to attend Committee meetings as deemed fit, to report on whatsoever the Audits Committee may require thereof.
- n) To prepare annual reports on the activities of the Audits Committee itself and to include such annual reports in the Management Report.

2nd In relation to external auditors:

- a) To propose to the Board of Directors on the selection, appointment, re-selection and replacement of external auditors, including the conditions under which they may be contracted, in order for the Board to submit said proposals to the General Shareholders for approval.
- b) To regularly obtain information on the audits plan and its results from the external auditors, and on any other activities relating to the financial auditing, and to ensure that the senior staff act upon the recommendations.
- c) To obtain information on issues that may be risky to its independence, to be examined by the Committee.
- d) To ensure the independence of the external auditor and, for that purpose:
 - i) The company must issue notice to the CNMV of any change of auditor as a significant event. Said notice must include a statement on any disagreements with the outgoing auditor and, if so, what it entails;
 - ii) The Committee must ensure that both company and auditor adhere to current regulations on providing services other than auditing, to the limits on the concentration of the business of the auditor and, in general, to other standards and regulations set forth to ensure the independence of auditors;
 - iii) If an external auditor resigns the Committee must investigate the circumstances leading to the resignation.
 - iv) The Committee must obtain annual written statements from accounts auditors or auditing entities confirming their independence from the company or companies directly or indirectly associated with it, and information on any other kind of services rendered to said entities by said auditors or auditing entities or by individuals or entities associated with them in accordance with the provisions of the Financial Auditing Act.
- e) To ensure that the group auditor is tasked with conducting the audits for the individual group companies.
- f) To liaise with the external auditors in order to obtain information on any matters that could jeopardize their independence and on any other matters that may be in relation to the financial auditing process.
- g) To issue annual reports, prior to issuing of the financial auditing report, expressing opinions on the independence of the financial auditors or the auditing companies. Said reports must, whatever the case may be, comment on the rendering of additional services as referred to in letter D) iv).

C.2.5 Indicate, as the case may be, the existence of regulations of committees of the Board, where they can be reached for consultations and any amendments that may have been made during the financial year. Also state whether annual reports were voluntarily prepared on the activities of each committee.

Committee name.

Appointments and Remunerations Committee.

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governance report**Brief description.**

The appointments remunerations committee regulations, last amended on December 16, 2013, available on the company's website and at the CNMV, prepares its own annual report on activities, which is published as part of the Annual Report.

Committee name.

Audits Committee.

Brief description.

The audits committee regulations last amended on December 16, 2013, available on the company's website and at the CNMV, prepares its own annual report on activities, which is published as part of the Annual Report.

C.2.6 Indicate whether the composition of the executive committee reflects the participation of the different categories based on their condition on the board:

Not applicable.

D. Connected transactions and intra-group transactions

D.1 Identify the competent organ and explain, as the case may be, the procedure for approving associate and intra-group transactions.

Competent organ for approving associate transactions

Audits Committee

Procedures for approving associate transactions

The Audit Committee has a prior approval procedure. The consideration is performed based on market prices.

Explain whether the approval of transactions between associate parties was assigned. If so, state the organ to which or persons to whom it was assigned.

No.

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D.2 Give details of transactions deemed significant due to the amount or relevant due to the aspect between the company and companies of its group, and the significant shareholders in the company:

Personal or Corporate name of significant shareholder	Name of company or entity in the group	Nature of relationship	Type of transaction	Amount (in thousand of Euros)
Inversión Corporativa, I.C, S.A.	Abengoa, S.A.	Contractual	Financing agreements: loans	670

D.3 Give details of transactions that are significant due to amount or that are relevant due to the nature between the company and companies of its group, and the managers and directors of the company:

Not applicable.

Personal or corporate name of managers or directors	Personal or corporate name of connected party	Connection	Nature of the transaction	Amount (in thousand of Euros)
Felipe Benjumea Llorente	Blanca de Porres Guardiola	Spouse	Technical advice for optimization of restoration service CPA	72

D.4 Report on the significant transactions between the company and other entities in the same group provided they are not eliminated in the process of preparing the consolidated financial statements, and are not part of the normal company transactions with regards to purpose and conditions.

At any rate, report shall be issued on any intra-group transaction with entities in countries or territories classified as tax havens:

Not applicable.

D.5 Indicate the amount of the transactions with other connected parties.

Not applicable.

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D.6 Provide details of any mechanisms in place to detect, determine and resolve possible conflicts of interest between the company and/or its group and its Board members, executives or significant shareholders.

The audits committee is the body responsible for monitoring and resolving conflicts of interest. Directors are obliged, in accordance with the provisions of the Board of Directors Regulations, to inform the board of any situation of potential conflict, in advance, and to abstain until the committee has reached a decision.

D.7 Is more than one company of the group listed in Spain?

No.

Indicate whether the respective business lines and possible business relations among such companies have been publicly and precisely defined, as well as those of the listed subsidiary with the other companies in the group:

Define any business relations between the parent company and the listed subsidiary company, and between the latter and the other companies in the group.

Not applicable.

Identify the mechanisms envisaged to resolve any conflicts of interests between the listed subsidiary and the other companies in the group:

Mechanisms to resolve possible conflicts of interest

Not applicable.

E. Risks Management and Monitoring Systems

E.1 Explain the scope of the company's Risks Management System.

Abengoa's risk management system is designed to mitigate all the risks to which the company may be exposed as a result of its activities. The structure of Abengoa's Risk Management is based on three pillars:

- The Common Management Systems specifically designed to mitigate business risks.
- Internal control procedures aimed at mitigating risks derived from the elaboration of the financial report and at improving the reliability of such report, designed in accordance with the SOX Act (Sarbanes-Oxley Act)
- The universal risks model which is the methodology that Abengoa uses for the identification, compression and evaluation of the risks that affect the company. The purpose is to obtain an integral vision of them, designing an efficient system of response that is in line with the business goals and objectives.

These two elements form an integrated system that allows appropriate management of the risks and their mitigating controls at all the levels of the organization.

Abengoa's risks management system is a global and dynamic system. The scope of action of said system covers the entire organization and its whereabouts on a more permanent basis, and compliance with it is compulsory for all the company's employees, managers and board members.

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In addition, the internal auditing unit is in charge of ensuring the compliance with and the good functioning of these systems.

E.2 Identify the section of the company in charge of elaborating and executing the Risks Management System.

The duty of elaborating and executing the risks management system is basically exercised by the audits committee specifically through internal auditor and through the risks manager.

The risks manager is in charge of analysing projects and businesses in the efforts and in aspects regarding the identification and quantification of risks of any nature.

On the other hand, the internal audits department is in charge of supervising and ensuring the correct functioning of the risks management system.

The goals and objectives of the audits committee are as follows:

- To report on the annual accounts, as well as on the quarterly and half-yearly financial statements that must be issued to the regulatory or supervisory bodies of the securities markets, with express mention of the internal control systems, verification of compliance and monitoring through internal audits and, when applicable, on the criteria applied.
- To inform the board of directors of any change in the accounting criteria, and any risks either on or off the balance sheet.
- To report to the general meeting of shareholders on matters questioned by shareholders, and which fall within its powers.
- To advise the board of directors to propose the appointment of the external financial auditors to the meeting of the general shareholders.
- To monitor the internal audits services. The committee will have full access to the internal audits and will report on the process of selection, appointment, renewal and dismissal of the internal audits director, and on allocating the director's remunerations.
- To study the financial reporting process and the Company's internal monitoring systems.
- To liaise with the external auditors in order to obtain information on any matters that could jeopardize their independence and on any other matters in relation to the financial auditing process.
- Prepare annual reports on the activities of the audits committee itself, which must be included in the management report.

E.3 Specify the main risks that could affect the attainment of business objectives.

In the process of identifying, compressing and evaluating the risks affecting the company, the following risks factors outlined in Schedule I of the Securities Registration Document published in the CNMV on July 12, 2012 have been considered:

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General Risks

- Abengoa operates in a sector of activity especially linked with the economic cycle.
- Risk derived from depending on the regulations in support of activities relating to renewable energy, bioethanol production and also research- and development-related activities.
- Solar power generation.
- Biofuel consumption.
- Risks derived from the sensitivity entailed in the supply of raw materials for biofuel production and the volatility of the price of the final product.
- Risks derived from the sensitivity entailed in the supply of raw materials for recycling activities and the volatility of the price of the final product.
- Risks derived from delays and cost overruns in activities of Engineering and construction due to the technical difficulties of the projects and the lengthy duration of their execution.
- Risks linked to the activities of concession-type infrastructural projects operating under regulated tariffs or extremely long-term licences agreements.
- Incomes derived from long-term agreements: risks derived from the existence of clauses and/or renewal of licence agreements processed by Abengoa, termination of pending engineering and construction projects and non-renewals of biofuel distribution agreements.
- The variations in the cost of energy may bear negative impact on the company results.
- Risks derived from the development, construction and exploitation of new projects.
- Abengoa's activities may be negatively affected in the event that public support for such activities diminishes.
- Construction projects regarding the engineering and construction activities and the facilities of concession-type infrastructural and industrial production activities are dangerous places of work.
- Risks derived from joining hands with third parties for the execution of certain projects.

Risks that are specific to Abengoa

- Abengoa operates with enormous levels of indebtedness.
- Risks derived from the demand for capital intensive investments in fixed assets (CAPEX), which increase the need for external finance for the execution of pending projects.
- Risk entailed in obtaining reduced net profit derived from assets rotation
- The company has a controlling shareholder.
- The renewable energy sector products and services are part of a market subject to intensive conditions of competition.
- The results of the engineering and construction activity depend significantly on the growth of the company in the concession-type infrastructural and industrial production activities.
- Fluctuations in interest rates and their hedging may affect the results of the company
- Fluctuations in the currency exchange rates and their hedging may affect the results of the company

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governance report**Risks derived from internationalization and from country risks:**

- Abengoa's activities fall under multiple jurisdictions with various degrees of legal demands requiring the company to undertake significant efforts to ensure its compliance with them.
- Insurance coverage underwritten by Abengoa may be insufficient to cover the risks entailed in the projects, and the costs of the insurance premiums may rise.
- The activities of the company may be negatively affected by natural catastrophes, extreme climate conditions, unexpected geological conditions or other physical kinds of conditions, as well as by terrorist acts perpetrated in some of its locations.
- The practices of tax evasion and product alteration on the Brazilian fuel distributions market may distort the market prices.

E.4 Indicate whether the company has a risk tolerance level.

The universal risks model is a tool used for identifying and evaluating all risks affecting Abengoa. All the risks contemplated therein are evaluated considering probability and impact indicators.

Based on such parameters, the risks are classified as follows:

- Minor risks: risks that occur frequently but bear little economic impact. These risks are managed to reduce their frequency only if managing them is economically viable.
- Tolerable risks: risks that occur infrequently and bear little economic impact. These risks are monitored to ensure that they remain tolerable.
- Severe risks: frequent risks that bear extremely high impact. These risks are managed immediately although, due to the risk management processes implemented by Abengoa, it is unlikely that Abengoa needs to tackle these types of risks.
- Critical risks: risks that occur infrequently but bear extremely high economic impact. These risks have a contingency plan since, when they arise, their impact is extremely high. These risks are subject to their own contingency plan, given the severity of their impact when they occur.

E.5 Identify the risks that materialized during the financial year.

Some risks that are likely to affect the Abengoa surfaced during the 2013 financial year. The main one of them is analysed below, establishing the pertinent and necessary multi-annual action plans to enable us put all of them under control.

Energy and the environment are part of the activities in which Abengoa is engaged. This activity is performed in surroundings that continue to undergo changes, with regulations, subsidies or tax incentives that can be amended or even legally challenged.

Some of our businesses depend on local and government regulations of industrial activities, including regulations that, among other things, enforce the reduction of carbon and other greenhouse gases and the content of biofuels in fossil fuels or the use of energy from renewable sources. Any amendments to such regulations will seriously undermine the profitability of our current and future projects, and it could also bear adverse material effects on our business, financial conditions and results.

Some subsidy regimens set up for renewable energy generation have been challenged in the past for constitutional and other types of reasons (including benefit schemes that constitute State subsidies from the European Union) in some jurisdictions.

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In the event that all or part of our renewable energy generation subsidy regimens and incentive schemes were to be declared illegal in any jurisdiction in which we are operating, we could find ourselves in a condition of inability to efficiently compete with the non-conventional renewable and other kinds of energy or we could be unable to complete some ongoing projects. We are bound by excessive government regulations existing in a number of different jurisdictions, and our inability to comply with the existing regulations or requests or changes in the applicable regulations or requirements could bear negative impacts on our businesses, results of operations or on the financial and Regulations situation - Spain -Solar Regulatory Framework - Royal Decree Law 9/2013

Renewable energy production at our facilities is the object of various measures of tax reduction or tax incentives in the jurisdictions in which they operate. These tax incentives and reductions play important roles in the profitability of the projects that we execute. It is possible that in future part or all of said incentives may be suspended, reduced, may not be renewed, or may even be completely cancelled. If it comes to that, the profitability of the current plants and our ability to finance future projects may be negatively affected, which could bear adverse material effect on our businesses, financial conditions and results of operations.

E.6 Explain the response and supervision plan for the most threatening risks of the entity.

There is a specific action plan for each of the risks identified, which could encompass various departments of the company.

Executive supervision of the company's main risks is performed through the following committees:

- Risks Management Committees by Business Units.
- Critical Projects Committees.
- Risks Management Committees with the Executive.
- Projects Committee.
- Special Situations Committees.

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governance report**F. Internal risks monitoring and management systems in relation to the process of financial reporting (System of Internal Control over Financial Reporting).**

Describe the mechanisms entailed in the risks monitoring and management system in relation to the company's financial reporting (System of Internal Control over Financial Reporting) process.

F.1 The Company's control environment

Report, pointing out the main characteristics of at least:

F.1.1. The bodies and/or functions in charge of: (i) the existence and maintenance of an appropriate and effective System of Internal Control over Financial Reporting; (ii) its introduction; and (iii) its supervision.

The System of Internal Control over Financial Reporting, (hereinafter, SICFR), is part of Abengoa's general system of internal control and is set up as a system prepared to provide reasonable assurance of the reliability of financial report published. The body in charge of it, pursuant to the Regulations of Abengoa's Board of Directors, is the Board of Directors and, within it, the duty of supervision is conferred on the Audits Committee in accordance with the regulations thereof.

Thus, the Board of Directors is in charge of setting up and maintaining a compulsory Audits Committee as inferred from Article 27 of the Bylaws of the Board of Directors. Accordingly, the duties that the Board entrusts to the Audits Committee entail, in relation to the SICFR, "the supervision of the process of elaborating and integrating the financial report regarding the company and, as the case may be, the group, revising the compliance with regulatory requirements". Also, according to said article, the duties of the Board include "the regular revision of internal risks monitoring and management systems, to ensure appropriate identification, management and reporting of the main risks".

F.1.2. The following elements, if existing, especially in relation to the process of elaborating the financial report:

- **Departments and/or mechanisms in charge of: (i) designing and revising the organizational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of duties and tasks; and (iii) ensuring the existence of sufficient procedures for its correct announcement through out the entity.**

As stipulated by the Board of Directors Regulations:

- It is in charge of defining the structure of the Group of companies, on the proposal of the company's chief executive, the appointment and possible dismissal of senior executives of Abengoa and other companies making up the group.
- The core components of the board's mission is to approve the company's strategy and the organization required for its execution, and to ensure that management attains the objectives while pursuing the company's interests and corporate purpose.

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- Through the relevant departments, the board of directors will strive for the correct and integral announcement of the relevant information of the company including but not limited to that related to the call for the general shareholders' meeting, its agenda and contents of the proposed agreements, relevant facts, agreements signed by the last shareholders' general meeting held, the internal regulations of corporate governance and Annual Report. The media for announcing will be the most adequate for ensuring that unrestricted announcements are made and in a timely manner, including the Company's webpage.

– **Code of conduct, body of approval, degree of publication and instruction, principles and values including (indicating whether there is specific mention of the recording of transactions and the elaboration of the financial report), body in charge of analysing breaches and of proposing the correct actions and sanctions.**

At Abengoa there is a code of ethics and professional conduct approved by the board of directors and available on the Intranet in both Spanish and English, which outlines the ethical and responsible behaviour that must be assumed in the execution of company activities and in managing the businesses, by the management team and all the professionals of Abengoa and its subsidiaries. Abengoa runs a continuous on-the-job training program in which courses are imparted on topics of Code of Conduct. It is compulsory for all employees to attend said courses and to show proof by signing attendance sheets, and the company ensures that all Abengoa employees have learned, received and understood said information.

We are proud to mention that in 2013 we provided 1,864,251 hours of training in the whole Group (9,189 hours in Abengoa, SA), attended by 22,177 employees.

Said Code of Conduct demands the following:

- The highest standards of honesty and ethical behaviour, including appropriate and ethical procedures for dealing with actual or possible conflicts of interests between professional and personal relationships.
- The most complete, just, precise, timely and intelligible communication in all periodical reports that Abengoa must submit to the organs of Administration or in all reports that may be made.
- Compliance with the applicable laws, standards, rules and regulations.
- The tackling of actual or possible conflicts of interests and the provision of orientation to ensure that employees, managers and board members report such conflicts to Abengoa.
- The interruption of the poor use or poor application of Abengoa's properties and business opportunities.
- The maximum level of confidentiality and fair trade in and outside Abengoa.
- The immediate internal reporting of any breach of said Code of Conduct and the appropriate reporting of all illegal behaviours.

All information made public and all media releases deemed to be affecting Abengoa must first be approved by the board of directors or by the manager who may have been previously entrusted with performing such duty.

Its appropriate follow-up is a source of profitability and security in the execution of the activities of Abengoa. Said regulations ensure the veracity and reliability of the financial report.

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The Board of Directors is in charge of, and, by virtue thereof, its Chairman, Committees set up, delegated committees or, as the case may be, Managers entrusted therewith, the classification of the breaches of the Common Management Systems.

- **Whistleblowing channel, which enables reporting of irregularities of financial and accounting nature to the audits committee, in addition to possible breaches of the code of conduct and irregular activities in the organization. The reports may be filed in secrecy or anonymity.**

An important aspect of responsibility and transparency is to provide a mechanism by which any interested party may safely and secretly report irregularities, unethical or illegal conducts that, in his/her opinion, occur in the execution of the Company's activities.

In this manner and following the guidelines provided in section 301 of the Sarbanes-Oxley Act, the Audits Committee decided to establish specific procedures for:

- The reception, safeguard and treatment of complaints or reports that the company may receive in relation to the accounting, internal monitoring of the accounting or auditing matters.
- Employees of the company to be able to secretly or anonymously send information in good faith on the dubious or arguable policies of accounting and auditing.

Towards that end, Abengoa has a double mechanism for receiving complaints or reports:

- An internal channel, which is available to all employees, so that they can notify any alleged irregularity in accounting or audits or breaches of the code of conduct. The communication channel is by e-mail or ordinary mail.
- An external channel, available to anyone outside the company, so that they can notify any alleged irregularities, fraudulent actions or breaches of Abengoa's Code of Conduct through the web page (www.abengoa.com).

- **Training programs and regular updates for the personnel involved in the preparation and revision of the financial report, as well as in the evaluation of the System of Internal Control over Financial Reporting, which should at least cover accounting regulations, auditing, internal risks monitoring and management.**

The Human Resources Management works together with the Economic-Financial Management to impart regular training, both internally and externally, to the personnel involved in the preparation of the Financial Statements of the Group.

The training programs are fundamentally focused on the correct knowledge and update on the International Financial Reporting Standards (IFRS) and on the laws and other rules and regulations on the Internal Control over Financial Reporting (Common Management Systems).

Both the Internal Audits Management and Global Risks Management keep themselves informed and up-to-date on the latest on Risks management and Internal Control, especially on Financial Reporting.

During the 2013 financial year, the Departments related with the preparation, revision and reporting of financial information received various publications as updates to the accounting and financial standards, internal control and tax, including courses by internal experts in relation to the updating of accounting standards.

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F.2 Financial Reporting Risks Assessment

At least reporting the following:

F.2.1. What are the main characteristics of the process of identifying risks, including those of error or fraud, with regards to:

Whether the process does exist and is documented.

Abengoa has introduced a process for identifying and evaluating risks: the Universal Risks Model which is updated on regular basis. Said model enumerates the risks identified by the organization, classified into categories and sub-categories, assign indicators to each to enable them to measure their probability and impact and to define the degree to which they may be tolerated.

And finally, the types of risks related with the accounting and the submission of the financial report, the management of debt and equity financing, planning and budgeting and the tax strategy of transactions:

Whether the process covers the entire objectives of the financial reporting, (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; and rights and obligations), if updated and at what frequency.

The URM is designed to cover all risks that are identified. Among them are a lot that refer to the preparation and submission of the financial report, accounting records, debt management and equity financing, planning and budgeting and the tax strategy of transactions:

Identified risks are covered and mitigated by Abengoa's internal monitoring system. All risks previously linked with the process by which the financial information is prepared are under control such that it may be guaranteed that the financial information appropriately adheres to the requirements of existence, occurrence, integrity, evaluation, presentation, breakdown and comparability.

The existence of a process for identifying the consolidation perimeter, considering, among other things, the possible existence of complex corporate structures, instrumental or special purpose entities.

The consolidation perimeter of Abengoa undergoes revisions during each quarterly closing. The Consolidation department is in charge of analysing companies that enter and exit said perimeter. Both the creation and acquisition of companies, as well as their sale or dissolution, are subject to internal authorization processes that permit the clear identification of all entries and exits to and from the consolidation perimeter.

Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputation, environmental, etc.) in the manner in which they affect the financial statements.

As already mentioned, the URM is the methodology for the identification, compression and evaluation of the risks that may affect Abengoa. The purpose is to obtain an integral vision of them, designing an efficient system of response that is in line with the business goals and objectives of the company.

It is made up of 56 risks classified into 20 categories that are grouped into 4 large areas (financial risks, strategic risks, regulatory risks and operational risks).

All risks of the model are evaluated based on two criteria:

- Probability of occurrence: Degree of frequency at which to be sure that a specific cause will expose Abengoa to an event with negative impact.
- Impact on Entity: Set of negative effects on the strategic goals and objectives of Abengoa.

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Which corporate governance body supervises the process?

The financial information preparation process is the absolute responsibility of the Board of Administration. In accordance with the regulations of the administrative body, the financial information must first be certified by the Chairman of the Board and the Corporate Directors of the department of Consolidation and Internal Auditing before its presentation.

Likewise, as set forth in section F.5 of this document, the Board of Directors entrusts the Audits Committee with the duties of supervising the system of internal control and monitoring which ensures that the preparation of the financial information strictly abides by the required standards.

F.3 Control Activities**Report pointing out the main characteristics of the following, if any, is at least include:**

F.3.1. Procedures for reviewing and authorizing the financial reporting and the description of the System of Internal Control over Financial Reporting, to be published at the stock market, indicating responsibilities, as well as the descriptive documents of cash flows and monitoring (even in connection with fraud risks) of the various types of transactions that could materially affect the financial statements, including the accounting closure proceedings and the specific revision of the judgements, estimates, evaluations and relevant projections.

In accordance with the Board of Directors Regulations, the integrity and exactitude of the Annual Accounts presented to the Board of Directors for approval must first be certified by the Chairman of the Board of Directors and by the Director of the Department of Corporate Consolidation and Audits.

When the Board of Directors receives the reports issued by the Corporate General Directorate and obtains the necessary clarifications, it must clearly and precisely declare that the contents of the Annual Accounts and the Management Report can be easily understood.

The Board of Directors must ensure that that said documents depict the true state of the asset, the financial statement and the profit and loss outcome of the company, in conformity with the stipulations of the Law.

Thus, the Board of Directors will decide on and take as many actions and measures deemed necessary to ensure the Company's transparency on financial markets, promoting correct information on the prices of the Company's shares, supervising financial-related information regularly made public and performing as many duties as may be required of the company's status as a listed company.

The process or structure effectively followed in certifying financial report, done on quarterly basis, reflects the manner in which financial report is generated at Abengoa.

In said structure, the information to be reported is prepared by company heads, then revised by heads of the respective Business Units and by the respective Corporate areas heads who certify both the reliability of the financial report on the area under their charge –which is what they submit for consolidation at group level- as well as the effectiveness of the internal control system set up to reasonably ensure said reliability. Finally, the chairman and CEO, as the Topmost executive, and the directors of Internal Audits and Corporate Consolidation certify the reliability of the consolidated accounts to the Board of Directors in the quarterly Audits Committee. With the support of the Internal Audits management, said Committee supervises the entire certification process, and submits its conclusions from said analysis to the Board of Directors in the sessions in which the accounts will be officially signed. The information will then be published at the National Securities Exchange Commission (CNMV) once submitted to the Committee.

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- At the close of the 2013 financial year there were ongoing claims and legal controversies filed by and against Abengoa and its group of companies, as a natural consequence of its business and of the economic and technical claims that parties to contracts often mutually file.
- Below is a summary of the most significant legal claims that, even though, in the opinion of the directors, it is not expected to jointly or severally bear any adverse material impacts on the consolidated financial statements, due to their nature, it is not easy to predict the final rulings:
 - In May 2000, Abengoa Puerto Rico SE, a subsidiary of Abengoa SA, filed a lawsuit against the Puerto Rican Electric Power Authorities (EPA) and liquidated the contract that both parties had signed in relation to an EPC Project for the construction of an Electricity Plant in Puerto Rico, in which the EPA was the Prime Contractor. Said lawsuit contained several claims like, among others, withholding of payments, unpaid invoices, loss of future benefits, damages and other costs, which reached approximately 40 million Dollars.
 - In reaction to the lawsuit filed by Abengoa Puerto Rico SE, the EPA filed an appeal, which it based on the contract, against Abengoa Puerto Rico SE and, at the same time, filed another lawsuit against and claiming the same amount from Abengoa and its insurer, American International Insurance Company of Puerto Rico. The EPA is claiming approximately 450 million Dollars.
 - On April 29, 2013, The European Commission initiated an inspection of the Parent Company Guarantee (PCG) and that of all the other companies that are directly or indirectly under its control, including that of Abengoa Bioenergy Trading Europe BV, with regards to the possibility of it participating in anti-competition agreements or in actions presumably aimed at the manipulation of the results of Platts' equity appraisal value at the close of the day (CDD), as well as denying access to one or several companies to participate in the CDD value appraisal process. According to such European Commission decision, since 2002 there has been the suspicion that anti-competition behaviours may be occurring or that companies may have entered agreements and/or may be specifically coordinating their actions and that various markets that utilize the CDD method of reporting Platts' price may be involved, including the biofuels market. Our understanding is that the investigation is still at the preliminary stages and that the European Commission has not yet instigated any formal legal proceedings. Abengoa SA believes that both the company itself as well as the members of the Group implicated (including Abengoa Bioenergy Trading Europe BV) have always acted in conformity with the applicable laws in matters of competition. Even though we are actively cooperating with the European Commission in said investigation, It is not possible for us to predict the final ruling of any legal proceedings that may be instigated in relation with the object of the investigation.
- The legal consultants department of Abengoa SA meet regularly in committees with the different legal consultants of the various subsidiaries of Abengoa to be informed of the legal situations of ongoing litigations and later they report to the Chairman's office where subsequent discussions are held during the Board of Directors meetings on the situations of the most significant conflicts.

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F.3.2. Policies and procedures of internal control of information systems (especially on safety and security of access, monitoring of changes, operating them, operational continuity and separation of functions) that back the entity's relevant processes with regards to the elaboration and publication of the financial report.

Among the controls studied for mitigating or managing the risks of error in financial reporting are those related to the most relevant computer applications, like controls relating to user access permissions or to the integrity of information transfer between applications.

In addition, Abengoa follows guidelines or standards and procedures of internal control over information systems in relation to acquiring and developing software, acquiring systems infrastructure, installing and testing software, managing changes, managing service levels, managing services performed by third parties, systems security and access to them, managing incidents, managing operations, the continuity of operations and the segregation of functions. Said guidelines and procedures -which in some cases are different based on geographical scope and which are in the process of gradual homogenization- are applied to all information systems including those that house the relevant processes of the generation of financial report, and to the infrastructure necessary for its functioning.

In geographies where Abengoa operates, the entire internal network of computer infrastructure is controlled by a Department of internal professionals who are charged with defining and executing the group's IT and telecommunications strategy, as well as user support, systems operation and IT security. Abengoa has an Internet Technology (IT) security system in place that envisages the recovery of relevant information in the event of a system crash. Said security system is managed through the aforementioned internal IT Department.

F.3.3. Policies and procedures of internal control aimed at supervising the management of activities sourced out to third parties, including the aspects of evaluation, calculation or assessment entrusted to independent experts, which could materially affect the financial statements.

In general terms, Abengoa does not retain third party subcontractors to perform significant tasks that directly affect financial reporting. Third-party assigned assessments, evaluations or calculations that could materially affect the financial statements are considered activities deemed relevant for generating financial report that may lead, as the case may be, to the identification of risks of priority errors, thus implying the designing of associated internal controls.

Abengoa has a method of approval through an authorization that grants Executive support which, among other things, must be acquired by the Department that needs to outsource a service. Such contracts are subject to reviews before being signed, including their analysis and internal approval of the fundamental hypothesis to be used.

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F.4 Information and Reporting

Report pointing out the main characteristics of at least:

F.4.1. A specific function entrusted with defining, maintaining accounting policies updated (area or department of accounting policies) and resolving doubts and conflicts derived from their interpretation, maintaining constant communication with those in charge of the transactions in the organization, keeping the accounting policies manual updated and reporting to the units through which the entity operates.

Abengoa operates with an Accounting Policies Manual. Said manual establishes the accounting policies criteria that must be observed when the company is preparing the financial report using the financial reporting framework established by the International Financial Reporting Standards adopted by the European Union.

The manual is available to all employees of Abengoa.

Said manual, is also subject to regular updates for the purpose of including all new applicable rules and regulations. The department of Consolidations and Accounting Policies is responsible for updating the manual which was last updated during the 2012 financial year.

F.4.2 Mechanisms for gathering and preparation of financial information in standard format, application and use by all units of the entity or the group, supporting key financial statements and notes, as well as detailed information about the SCII.

All the entities that make up Abengoa's consolidated group use the same tools and applications for financial reporting, regardless of whether the information system is used to keep the accounting records. Said tools, regularly supervised by the Consolidation Department, ensure that the financial information reported by companies is complete, reliable and consistent. Thus, the information reported during the closing of financial year includes all breakdowns deemed necessary for the preparation of consolidated financial statements and their explanatory notes.

F.5 System Operation Supervision

Report, pointing out the main characteristics of at least:

F.5.1. The activities of supervising the System of Internal Control over Financial Reporting performed by the audits committee, and of whether the entity has an internal audits system that is empowered to support the committee in supervising the internal monitoring system, including the SICFR. Also provide information on the scope of the assessment of the SICFR performed during the financial year and on the process by which the head of the assessment reports the results, whether the entity has an action plan that outlines the possible corrective measures, and whether its impact on the financial reporting has been considered.

The Board of Directors is in charge of ensuring the appropriate registration of the operations in the accounting records, of maintaining a structure of internal control and accounting for the purpose of preventing and detecting errors and irregularities. In accordance with the Board of Directors Regulations, the Audits Committee is entrusted with the following duties:

- To report on the Annual Accounts, as well as on the quarterly and half-yearly financial statements that must be issued to the regulatory or supervisory bodies of the securities markets, with express mention of the internal control systems, verification of compliance and monitoring through internal audits and, when applicable, on the accounting criteria applied.

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- To supervise the preparation process and the integrity of the financial report on the company and, if applicable, the group, and to verify compliance with regulatory requirements, the appropriate boundaries of the scope of consolidation and the correct application of Accounting principles.
- Frequently review the systems for the internal monitoring and risks management, so that the main risks are identified, managed and properly disclosed.
- Supervise and ensure the independence and effectiveness of the duties of internal audits and supervising them, with full access to said audits, propose the selection, appointment, re-selection and dismissal of heads of internal audits, propose the budget for said unit, and set the salary scale of its Director; obtain regular information on the activities and the budget of the unit; and ensure that the senior management considers the conclusions and recommendations in its reports.

The Audits Committee's functions include the supervision of the internal audits service and obtaining information on the financial reporting process, the internal control systems and on the risks for the company.

On the other hand, with regards to the supervision of the internal controls system, the goals of the duty of internal audits are as follows:

- To prevent the group companies, projects and activities from exposure to audits risks such as fraud, capital losses, operational inefficiencies and, in general, any risks that may affect the healthy running of the business.
- To ensure the continuous application of the standards, appropriate procedures and efficient management in accordance with the Common Management Systems.

The Internal Audits Department of Abengoa

The internal audits service originated as an independent global function, reporting to the audits committee of the board of directors, with the principal objective of supervising Abengoa's internal monitoring and significant risk management systems.

Abengoa's internal audit service is structured around the joint audit services, which act in coordination. To ensure the performance of its functions while executing its activities, its structure is based on multidisciplinary teams, formally organized by geographical areas, working under a single annual plan of activities and sharing the execution of their tasks and duties on the basis of qualifications, ensuring that their performance are in line with the best international practices.

The team of internal auditors is comprised of 49 professionals, scattered amongst the various business units. The following are the characteristics of the team:

- The average age an internal auditor in Abengoa is currently at approximately 31 yrs
- The male and female percentage is 60% and 40% respectively.
- Professional experience averages around 7 years.

Approximately 75% of the auditors have previous experience from one of the Big4 external auditing firms. The characteristics of the internal auditors of Abengoa shows the company's commitment to only engaging qualified personnel to perform the auditing duties. Abengoa's internal auditors are intimately tied to the culture of the service in the performance of their activities and to their involvement with the business project they execute with the main aim of creating value for the organization.

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The general goals of internal auditing are as follows:

- To prevent the group companies, projects and activities from exposure to audits risks such as fraud, capital losses, operational inefficiencies and, in general, any risks that may affect the healthy running of the business.
- To ensure the continuous application of the standards, appropriate procedures and efficient management in accordance with the Common Management Systems.
- To create value for Abengoa and its business units, promoting the construction and maintenance of synergies and the monitoring of optimal management practices.
- To coordinate work criteria and approach with the external auditors, seeking the most efficiency and profitability of both functions.
- Analysis and processing of the complaints received through whistle-blowing and reporting the conclusions of the work performed to the Audit Committee.
- To evaluate the companies' audit risk following an objective procedure.
- To develop Work Plans using scopes that are convenient for each different situation.

Evaluation of the Internal Audit Service

During the 2011 financial year, Abengoa terminated an independent evaluation procedure for auditing based on the standards of the Institute of Internal Auditors.

The purpose of the evaluation was to analyse the organization, the processes and performance in the field of internal audits, in order to set the parameters for improving the effectiveness and efficiency of auditing so as to be able to deal with an increasingly competitive and regulatory environment. The assessment of internal auditing is structured around three key elements:

- Mission of the internal auditors to comply with Abengoa's expectations and requirements.
- Professionals of the Internal Audit Service
- Infrastructures and operations used by the internal auditors to perform their work.

Following the work performed by an independent expert the report concluded that Abengoa's internal auditors is in line with the international standards for the professional practice of internal auditing, of the Institute of Internal Audit (IIA).

F.5.2. Whether there is a discussion procedure by which the accounts auditor (pursuant to the stipulations of the NTA), the function of the internal audits and other experts may report the significant weaknesses identified in the internal monitoring during the revision of the financial statements or all the others entrusted to them to the top management and to the audits committee or to the directors of the entity. Also report whether there is an action plan for correcting or mitigating the weaknesses uncovered.

The Internal Audits' office regularly informs the senior management and audits committee on the weaknesses identified in internal control in revisions performed on the processes during the financial year, and on the introduction of the action plans put in place to ensure the mitigation of said weaknesses.

On the other hand, the accounts auditor of the group retains direct access to the group's senior management, holding regular meetings both to obtain the information necessary for the execution of its duties as well as to report on the weaknesses detected in (internal) control during the auditing. The external auditors will issue the economic and financial director and the audits committee an annual report detailing the weaknesses it detected in the internal control while performing its duties.

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F.6 Other Information of Interest

The external auditors issued five (5) reports during the 2013 financial year. They are integrated into the Annual Report:

- Audit report on the Group's consolidated financial statements, as required by the Laws in vigour.
- Voluntary audit report on internal audit compliance under PCAOB (Public Company Accounting Oversight Board) standards, as required under section 404 of the Sarbanes-Oxley Act (SOX)
- Voluntary reasonable assurance audit report on the Corporate Governance Report, being the first Spanish listed company to obtain a report of this nature.
- Voluntary reasonable assurance audit report on the Corporate Social Responsibility Report Issued by KPMG, Auditores, SL.
- And voluntary audit report on the design of the Risk Management System following the ISO 31000 Standards and Specifications.

F.7 Report from the External Auditor

Report:

F.7.1. Whether the external auditor revised the SICFR information issued to the markets and, if so, the entity must include the corresponding report as annex. Otherwise, if that is not the case, the entity must provide its reasons.

Abengoa applies all the rules and regulations dictated by the (CNMV) Stock Market Authorities. This fact implies that for the past five financial years Abengoa has been strictly complying with the reference indicators included in the document of the CNMV's "Systems of Internal Control over Financial Reporting.

Since 2007, Abengoa has voluntarily submitted its Internal Control Systems to an external evaluation that concludes with the issuance of an audit opinion under the PCAOB standards, and to audits to ascertain compliance with section 404 of the Sarbanes-Oxley Act (SOX).

The auditor of the individual and consolidated annual financial statements of Abengoa, for the financial year ending December 31, 2013, is Deloitte S.L. which is also the Group's main auditor.

G. Degree to which corporate governance recommendations are followed

Indicate the degree to which the company follows the recommendations of the Unified Good Governance Code.

In the event that a recommendation is not or is only partially followed, the entity should include detailed explanation of its reasons such that the shareholders, investors and the market in general, are provided with sufficient information to assess the performance of the company. Explanations of general nature shall not be acceptable.

- **1. The bylaws of listed companies should not limit the votes that can be cast by a single shareholder, or impose other obstacles to impede the takeover of the company by means of share purchases on the market.**

See section: A.10, B.1, B.2, C.1.23 and C.1.24

Compliant.

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- **2. When a parent and a subsidiary company are listed, both should provide detailed disclosure on:**
 - a) Their respective types of activities, and any business dealings between them, including between the listed subsidiary and other companies in the group;
 - b) The mechanisms in place to resolve possible conflicts of interest.

See sections: D.4 and D.7

Compliant.

- **3. That even when not expressly required under Commercial Law, all decisions involving a fundamental corporate restructuring, especially the following, is submitted to the Shareholders for approval or ratification:**
 - a) The transformation of listed companies into holding companies through the process of subsidiarization, i.e. reallocating previous core activities of such company to subsidiaries, even if the latter retains full control of the former;
 - b) Any acquisition or transfer of key operating assets that would effectively alter the company's corporate purpose;
 - c) Operations that effectively amount to the company's liquidation.

See sections: B.6

Partially compliant.

The company has not incorporated this regulation into its internal rules (bylaws) as a provision, which does not prevent compliance thereof in practice with said Recommendation.

- **4. Detailed proposals of the resolutions to be adopted at the General Meeting of Shareholders, including the information stated in recommendation 28, should be made available at the same time the meeting is convened.**

Compliant.

- **5. Substantially independent issues should be voted separately at the General Meeting of Shareholders, in order for shareholders to be able to exercise their voting preferences separately. And that said rule applies, particularly:**
 - a) To the appointment or ratification of directors, with separate voting on each candidate;
 - b) To amendments to the bylaws, with votes taken on all materially different articles or groups of articles.

Compliant.

- **6. Companies should allow split votes, so that financial intermediaries acting as nominees on behalf of various clients can issue their votes according to instructions.**

Compliant.

- **7. The board of directors should perform its duties with unity of purpose and criteria independence, giving all the shareholders the same treatment, allowing itself to be guided only by the company's interests, which means striving to maximise its economic value in a sustainable manner.**

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; performing its obligations and contracts in good faith; respecting the customs and good practices of the sectors and territories in which it operates; and upholding any additional social responsibility principles to which it may have voluntarily subscribed.

Compliant.

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- 8. The core components of the board's mission should be to approve the company's strategy and the organization required for its execution, and to ensure that management attains the objectives while pursuing the company's interests and corporate purpose. As such, the board fully reserves the right to approve:
 - a) The company's general policies and strategies, and in particular:
 - The strategic or business plan, management targets and annual budgets;
 - Investment and financing policy;
 - Design of the structure of the corporate group;
 - Corporate governance policy;
 - Corporate social responsibility policy;
 - Senior staff performance remuneration and evaluation policy;
 - Risk control and management policy, and the regular monitoring of internal information and monitoring systems
 - Dividend and treasury stock policies and especially limits

See sections: C.1.14, C.1.16 and E2

- b) The following decisions:
 - On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.
 - Remuneration of board members, including, in the case of executive members, the additional considerations for their executive duties and other contract conditions.
 - The financial information that all listed companies must periodically disclose.
 - All kinds of investments or operations deemed strategic due to their huge amount or special characteristics, except if they require the approval of the General Meeting of Shareholders;
 - The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other comparable transactions or operations with complexities that might impair the transparency of the group.
- c) Transactions which the company conducts with board members, significant shareholders, shareholders with board representation or with other associated persons ("associated transactions").

However, board authorization need not be required for associated transactions that simultaneously meet the following three conditions:

- 1. They are governed by standardized agreements that are applied on an across-the-board bases to large numbers of clients;
- 2. They go through at market rates, generally set by the person supplying the goods or services;
- 3. Their amount is no more than 1 % of the company's annual revenues.

It is advisable that the Board approves associated transactions only if the audits committee issues a favourable report or, as the case may be, any other committee assigned to that function; and that the board members involved may neither exercise nor delegate their voting rights, and should be excused from the meeting while the board deliberates and votes.

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Ideally, with the exception of the powers outlined in b) and c), which may be delegated to the executive committee in emergencies and later ratified by the plenary session of the Board of Directors, the above powers should not be delegated.

See sections: D.1 and D.6

Compliant.

- **9. In the interests of maximum effectiveness and participation, the board of directors should consist of no fewer than five and no more than fifteen members.**

See section: C.1.2

Compliant.

- **10. External proprietary and independent board members should occupy an ample majority of board sits, while the number of executive board members should be cut down to the minimum necessary bearing in mind the complexity of the corporate group and the percentage of ownership the executive board members hold in the equity.**

See sections: A.3 and C.1.3

Compliant.

- **11. That among the external board members, the relation between proprietary and independents members should match the proportion between the capital represented on the board by proprietary board members and the rest of the company's capital.**

This strict proportional criterion can be relaxed so that the weight of proprietary board members is greater than would correspond to the total percentage of capital represented:

- **In companies with very large capitals in which fewer or no equity stakes exceed the legal threshold of significant shareholdings, but where there may be shareholders with considerable sums actually invested.**
- **In companies with plurality of shareholders represented on the board but not otherwise related.**

See sections: A.2., A.3 and C.1.3

Explanation.

Abengoa increased the number of proprietary board members on its board due to an investment agreement signed with First Reserve Corporation, on November 4, 2011.

Claudio Santiago Ponsa was appointed board member of Abengoa on the request of First Reserve Corporation by virtue of the agreement reached with Inversión Corporativa on November 9, 2011, in their capacity as shareholders of Abengoa, within the framework of the investment agreement signed between Abengoa and First Reserve Corporation, aforementioned, relating to the proposal, appointment, ratification, re-selection or replacement of a board member to represent First Reserve Corporation, of which this Committee was notified.

- **12. The number of independent members should represent at least one third of all board members.**

See epigraph: C.1.3

Explanation.

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Contrary to what the company has always done until now, complying with the recommendations of corporate good governance, the number of independent board members went below a third of the total of board members due to the appointment of Mr. Claudio Santiago Ponsa as proprietary board member by virtue of the agreement signed with Inversión Corporativa on November 9, 2011, in the capacity as shareholders of Abengoa, and the resignation of Mr. Carlos Sebastian Gascón as independent board member of Abengoa.

- **13. The condition of each board member should be explained at the general meeting of shareholders, which shall appoint or ratify its appointment, with confirmation or, as the case may be, review in the Annual Corporate Governance Report, before verification by the appointments committee, and that said report should also disclose the reasons for appointing proprietary members at the urging of shareholders with less than 5 % of the capital, explaining any rejections of formal requests for a place on the Board of Directors issued by shareholders with capital equal to or greater than that of others whose requests for proprietary members may have been accepted.**

See sections: C.1.3 and C.1.8

Compliant.

- **14. In the event that female board members are few or non existent, the Board should state the reasons for this situation and the correction measures implemented; in particular, the Appointments Committee should take steps to ensure that:**
 - **a) the process of filling board vacancies has no implicit bias against female candidates;**
 - **b) the company makes a conscious effort to include females in the target profile among the candidates for board places.**

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4

Compliant.

- **15. The Chairman, as the person responsible for the proper operation of the board, should ensure that members are supplied with sufficient information in advance of board meetings, and should encourage debates and the active involvement of all members, safeguarding their rights to freely express opinions and take stands; he should organise and coordinate regular assessments of the board and, if appropriate, the company's chief executive, along with the chairmen of the relevant board committees.**

See sections: C.1.19 and C.1.41

Compliant.

- **16. In the event that the board chairman is also the company's chief executive, an independent board member should be empowered to convene board meetings or to include new items on the agenda; to coordinate and voice the concerns of external board members; and to lead the board's evaluation of its chairman.**

See section: C.1.22

Explanation.

There are currently fifteen members on the board of directors. The Board of Directors Regulations governs the composition, functions and internal organization of the governing body. The company also has an Internal Code of Conduct that bounds the board of directors, the senior management and all other employees deemed affected, by virtue of the positions or powers that they hold in matters relating to the Stock Market. The regulations of the general meetings of the shareholders govern the formal aspects and the internal system for the meetings of shareholders. Lastly, the board of directors

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is assisted by its audits committee and the appointments and remunerations committee, both of which have their own respective internal regulations. All the rules and regulations, set forth in the consolidated text of the company's Internal Good Governance Rules, are available on the company's website at www.abengoa.es and www.abengoa.com. Since it was formed, the appointments and remunerations committee has been analysing the structure of the company's governing body and adapting it to the recommendations of corporate governance, especially to the historic and special configuration of said bodies within Abengoa. In February 2007, based on this analysis, the committee recommended the creation of the post of coordinating director, and the elimination of the Advisory Board of the Board of Directors. The first measure was in order to incorporate the most recent corporate governance recommendations made in Spain in 2006; the second, because it was deemed that said Advisory Board had already performed the duty for which it was originally created and that its coexistence with the corporate bodies could lead to conflicts of power. Both proposals were approved at a meeting of the Board of Directors held in February 2007 and at the General Meeting of Shareholders on April 15 of the same year, appointing Prof. José B. Terceiro in representation of Aplicaciones Digitales S.L., as coordinating board member, in his capacity as independent on that date.

On a final note, in October 2007 the committee proposed that the board accepts the resignation of Mr. Javier Benjumea Llorente from his post as Deputy Chairman and revokes his delegated powers, and that the board accepts the appointment of a new natural person to represent Abengoa and Focus-Abengoa Foundation in entities or companies where representation is required.

The committee then decided to revisit the study of the number and characteristics of the Deputy Chairman of the board of directors within the current structure of governing bodies.

As a result, the committee thought it necessary to restrict the powers of the Deputy Chairman of Abengoa to those conferred under the Spanish Corporations Act as regard the organic representation of the company on the one hand, and as balance to the Chairman's functions on the board of directors, on the other. Thus, it was considered that the coordinating board member – with the functions assigned by the resolutions of the board of directors (February 2007) and the general meeting of shareholders (April 2007) – was the ideal figure, given the corporate governance recommendations and the company structure, as well as the composition and diversity of its directors. The coordinating board member has already been entrusted with the task of coordinating the concerns and motivations of the other board members, and empowered to convene board meetings and to include new items on the agenda. In its role as the visible protector of the interests of the Board members, it holds more of a de facto than of a de jure kind of representation on the Board, such that it seemed appropriate to confirm and expand this representation by making the post both institutional and organic.

For the reasons outlined above, the committee proposed Aplicaciones Digitales, S.L. (Aplidig, represented by Prof José B. Terceiro Lomba), the current coordinating director, as the new Executive Deputy Chairman to the Board of Directors. In addition, and within the functions of organic representation, the executive deputy chairman, jointly with the chairman of the board of directors, has been put forward as the physical representative of Abengoa, in its capacity as the Chair of the Board of the Focus-Abengoa Foundation, as well as in any other foundations and institutions in which the company is or should be represented.

In view of the above, on December 10, 2007, the board of directors agreed to appoint Aplicaciones Digitales, S.L. (represented by Prof José B. Terceiro Lomba), the current coordinating director, as Executive Deputy Chairman of the Board of Directors, and the independent board members gave their unanimous consent to retaining his position as coordinating board member in spite of his new appointment as Executive Deputy Chairman.

In addition, and within the functions of organic representation (conferred through a power of attorney granted by the board of directors on July 23, 2007), the Executive Deputy Chairman, together with the Chairman of the Board of Directors, was proposed as joint physical representative of Abengoa, in his capacity as the Chair of the Board of Focus-Abengoa Foundation, and of any other foundations and institutions in which the company is or should be represented.

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- **17. That the board secretary should take care to ensure that the board's actions:**
 - a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
 - b) Are in conformity with the company Bylaws and the Regulations of shareholder Meetings, the Board of Directors and any others in the company;
 - c) Complies with the recommendations on good governance set forth in the Unified Code that the company may have accepted;

And that in order to safeguard the independence, impartiality and professionalism of the secretary, its appointment and termination should be proposed by the appointments committee and approved by the plenary session of the board of directors; and that said appointment and termination procedure be included in the Regulations of the board of directors.

See section: C.1.34

Compliant.

- **18. The board should meet with the necessary frequency to properly perform its functions, following a calendar and a program scheduled at the beginning of the year, to which each board member may propose the addition of other items.**

See section: C.1.34

Compliant.

- **19. The absences of board members should be reduced to the bare minimum and quantified in the Annual Corporate Governance Report. If board members have no choice but to delegate their votes, such delegation should be with instructions.**

See sections: C.1.28, C.1.29 and C.1.30

Compliant.

- **20. If board members or the secretary express concerns about a proposal or, in the case of board members, about the company's performance, and such concerns are not resolved at the board meeting, the person expressing the concerns may request that the concerns be recorded in the minute book.**

Compliant.

- **21. The plenary session of the board should evaluate the following once a year:**
 - a) The quality and efficiency of the board's operation;
 - b) The level of performance of the company's chairman and chief executive based on the report that may be submitted by the appointments committee;
 - c) The performance of committees based on reports that they provide.

See section: C1.19 and C1.20

Compliant.

- **22. All board members may act on the rights to gather and obtain additional information deemed necessary on matters within the board's powers, and unless the bylaws or the board regulations indicate otherwise, the requests for such shall be addressed to the board chairman or secretary.**

See section: C.1.41

Compliant.

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- **23. All board members should be entitled to call on the company for the required advice and guidance necessary for the performance of their duties and the company should provide the appropriate channels for the exercise of such right, which, in special circumstances, shall include external assistance at the company's expense.**

See section: C.1.40

Compliant.

- **24. Companies should set up orientation programmes that may provide new board members with quick and sufficient knowledge of the company and its corporate governance rules and regulations and should also offer knowledge updating programs to board members whenever deemed advisable by the circumstances.**

Compliant.

- **25. Companies should insist that board members devote sufficient time and effort to the performance of their duties effectively, and, as such:**
 - a) board members should apprise the appointments committee of any other professional obligations that could possible interfere with the dedication required from them;
 - b) and companies should establish rules about the number of boards on which their board members can sit.

See sections: C.1.12, C.1.13 and C.1.17

Compliant.

- **26. The board should first approve any proposal submitted to the shareholders' general meeting for the appointment or renewal of board members, including provisional appointments by co-optation:**
 - a) On the proposal of the appointments committee, in the case of independent board members.
 - b) Subject to report from the appointments committee in all other cases.

See section: C.1.3

Compliant.

- **27. Companies should post the following information about the board members on their websites, and keep them permanently updated:**
 - a) Professional experience and background;
 - b) Other boards on which board member sits, whether listed company or not;
 - c) Indicate the category of the board member, pointing out, in the case of proprietary members, which shareholder they represent or to whom they are linked.
 - d) The date of their first and subsequent appointments as members of company's board of directors, and;
 - e) Shares held in the company and whether said shares are subject to any options.

Compliant.

- **28. Proprietary board members should resign if the shareholders they represent entirely dispose of such shares. They should also resign if such shareholders reduce their stakes, thus losing the corresponding entitlement to proprietary board membership.**

See sections: A.2, A.3 and C.1.2

Compliant.

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- 29. The board of directors should not propose the removal of independent board members before their tenure expires as mandated by the bylaws, except in the event of just cause, deemed by the board, after the Appointments Committee issues a report. Specifically, just cause shall be understood as board member acting in breach of his/her fiduciary duties or incurring in any of the circumstances that may lead to his/her losing the condition of independent, pursuant to the stipulations of Order ECC/461/2013.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate transaction produces changes in the company's capital structure, in order to meet the proportionality criterion set out in recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Compliant.

- 30. Companies should establish rules obliging board members to report of and, as the case may be, to resign in any circumstance that might damage the company's name or reputation and, in particular, obliging them to inform the Board of Directors of all criminal cases in which they may be named as accused and the progress of any subsequent trials.

Upon the indictment or trial of any director for any of the crimes outlined in Article 124 of the Spanish Companies Act, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the annual corporate governance report.

See sections: C.1.42, C.1.43

Compliant.

- 31. All board members should express clear opposition against any proposals submitted for the board's approval which, they deem, might damage the corporate interest. Particularly, independent and other board members, unaffected by the possible conflicts of interest, should challenge any decision that could go against the interests of shareholders not represented on the board.

In the event that the board takes significant or reiterated decisions against which a board member may have expressed serious reservations, said board member set out the pertinent conclusions and, if he/she decides to resign, he/she should explain the reasons in the letter referred to in the next recommendation.

The terms of this recommendation also applies to the board secretary although not officially a board member.

Compliant.

- 32. Board members who give up their position before their tenure expires, by resignation or otherwise, should state the reasons in a letter remitted to all board members. Regardless of whether such resignation is filed as a significant event, the reason must be explained in the annual corporate governance report.

See section: C.1.9

Compliant.

- 33. Executive board members should be remunerated in portions of the shares of the company or of companies of the group, share options or other share-based instruments, variable remunerations linked to the company's performance or forecast systems.

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This recommendation shall not include the allocation of shares if board members are obliged to retain them until the end of their tenure.

Compliant.

- **34. The remuneration of external board members should sufficiently compensate for the dedication, abilities and responsibilities that the post entails, but not to the extent of compromising their independence.**

Compliant.

- **35. Remuneration linked to company earnings should consider the possible deductions reflected in the external auditor's report and should reduce said results.**

Compliant.

- **36. In the case of variable compensations, remuneration policies should include the technical safeguards necessary to ensure that such remunerations reflect the professional performance of the beneficiaries and not simply the general progress of the markets or of the company's sector, or of similar circumstances.**

Compliant.

- **37. In the event that the company has an Executive Committee, the structure of shares of the different categories of members should be similar to that of the Board itself, and its secretary should be like that of the board.**

See sections: C.2.1 and C.2.6

Not Applicable.

- **38. The board should always be granted first-hand knowledge of issues dealt with and decisions taken by the Executive Committee and each board member should receive a copy of the minutes of the executive committee.**

Not Applicable.

- **39. In addition to the Audit Committee required by the Securities Market Act, the Board of Directors should also create a committee, or two separate committees, for appointments and remunerations.**

The rules governing the composition and operation of the audits committee and the appointments and remunerations committee or committees should be set forth in the Board Regulations, and should include:

- **a) The board of directors should appoint the members of such committees considering the knowledge, aptitudes and experience of the directors and the duties of each committee; decide on their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first plenary board following each meeting;**
- **b) These committees should consist exclusively of external board members, with a minimum of three. That notwithstanding, executive board members or senior officers may also attend meetings, for information purposes, at the committees' invitation.**
- **c) Committees should be chaired by independent board members.**
- **d) External consultants may be engaged if deemed necessary for the performance of their duties.**
- **e) Minutes should be recorded of their meetings and copies of such sent to all board members.**

See sections: C.2.1 and C.2.4

Partially compliant

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Except for section b) above, all requirements are duly met. With regards to the presence of an executive board member on the appointments committee we refer to Recommendation 54 (because of his knowledge and experience in matters of Accounting and Auditing).

- **40. The supervision of compliance with the internal codes of conduct and corporate governance regulations should be entrusted to the Audits Committee, Appointments Committee or, if separately existing, Compliance or Corporate Governance committees.**

See sections: C.2.3 and C.2.4

Compliant.

- **41. All members of the audits committee, particularly its chairman, should be appointed bearing in mind their knowledge and background in Accounting, Auditing and Risk Management.**

Compliant.

- **42. Listed companies should have an internal audits function, under the supervision of the audits committee, to ensure the proper operation of internal reporting and monitoring systems.**

Compliant.

- **43. The head of internal audits should submit an annual work plan to the Audits Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.**

Compliant.

- **44. Risk monitoring and management policy should at least specify:**
 - a) The different types of risk (operational, technological, financial, legal, reputation-oriented...) to which the company may be exposed, including those of financial or economic, contingent liabilities and other off-balance-sheet risks;
 - b) The determination of the level of risk deemed acceptable to the company;
 - c) Measures in place to mitigate the impact of risk events should they occur;
 - d) The internal reporting and monitoring systems to be used to monitor and manage the aforementioned risks, including contingent liabilities and off-balance-sheet risks.

See sections: E

Compliant.

- **45. The audits committee's role should be:**
 - **1st Regarding internal monitoring and reporting systems:**
 - The main risks identified as consequence of the supervision of the efficacy of the company's internal monitoring and internal audits, as the case may be, should be managed and appropriately disclosed.
 - Monitor the independence and efficacy of the internal auditing; propose the selection, appointment, re-election and removal of the head of internal audits; propose the department's budget; receive regular feedbacks on its activities; and verify that senior management is acting on the findings and recommendations of the reports.
 - Establish and supervise a mechanism whereby staff can confidentially and, if necessary, anonymously report any irregularities detected in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the company.

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- **2nd With regards to the external auditor:**
 - To be regularly informed by the external auditor on the progress and findings of the auditing plan and to ensure that senior management act on its recommendations.
 - To make sure the external auditor remains independent and, for that purpose:
 - The company should notify the CNMV of any change of auditor as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
 - The Committee should investigate the issues giving rise to the resignation of any external auditor.
 - In the case of groups, the Committee urges the group auditor to take on the auditing of all component companies.

See sections: C.1.36, C.2.3, C.2.4 and E.2

Compliant.

- **46. The audits committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.**

Compliant.

- **47. The audits committee should inform the board on the following points from recommendation 8 before the board takes any of the relevant decisions:**
 - a) The financial information that all listed companies must periodically disclose. The committee should ensure that interim statements are drawn up under the same Accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.
 - b) The creation or acquisition of shares in special purpose entities or entities resident in countries or territories considered tax havens, and any other analogous transactions or operations which, due to their complexity, might impair the transparency of the group.
 - c) Transactions that are linked, except where their scrutiny is entrusted to some other supervision and monitoring committee.

See sections: C.2.3 and C.2.4

Compliant.

- **48. The board of directors should seek to present the financial statement to the Shareholders during the General Meeting without reservations or qualifications in the audits report. Should such reservations or qualifications exist, both the Chairman of the Audits Committee and the auditors should clearly inform the shareholders on said reservations or qualifications.**

See section: C.1.38

Compliant.

- **49. The majority of the members of the Appointments –or Appointments and Remunerations Committee if only one exists– should be independent board members.**

See section: C.2.1

Compliant.

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- **50. In addition to the functions listed in the preceding recommendations, the Appointments Committee should be responsible for the following:**
 - a) Evaluating the necessary abilities, knowledge and experience on the Board, consequently defining the roles and capabilities required of the candidates to fill each vacancy, and deciding on the time and dedication necessary for them to properly perform their duties.
 - b) Appropriately examining or organizing the succession of the chairman and chief executive and, where necessary, making recommendations to the Board for said succession to proceed in a planned and orderly manner.
 - c) Reporting on the appointments and removals of senior staff that the chief executive may propose to the board.
 - d) Reporting to the board on the gender diversity issues discussed in recommendation 14 of this code.

See section: C.2.4

Compliant.

- **51. The appointments committee should consult the company's chairman and chief executive on especially matters relating to executive board members.**

Any board member may suggest possible candidates to the Appointments Committee if it deems fit, for filling out vacancies on the board of directors.

Compliant.

- **52. In addition to the functions listed in the preceding recommendations, the Remunerations Committee should be responsible for the following:**
 - a) Making the following proposals to the Board of Directors:
 - The remuneration policy for board members and senior management;
 - The remuneration and other contractual conditions of individuals of the executive board members;
 - The standard conditions for senior officer employment contracts.
 - b) Oversee compliance with the remuneration policy set by the company.

See sections: C.2.4

Compliant.

- **53. The remunerations committee should consult the company's chairman and chief executive on especially matters relating to executive board members and senior management.**

Compliant.

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H. Other information of interest

- **1. Provide a brief detail, if any, on all other relevant aspects in the matter of the corporate governance of the company or entities of the group that have not been included in the other sections of this report, but that the inclusion of which is necessary for the compiling of a more comprehensive and reasonable information on the structure and practices of governance in the entity or group.**

In 2013 Abengoa initiated a **corporate compliance** program in the company with the aim of preventing, detecting and watching out for bad business practices.

The concept of corporate compliance was introduced in observance of international practices and of specific compulsory legal rules and regulations, especially practised in Anglo-Saxon Law. In Spain, until the enactment of the Transparency Law, corporate good governance recommendations were simply as such, recommendations, void of enforceability and legality, while on international markets companies were legally compelled to abide by specific conducts to avoid fraud among other bad practices. As a result of us drawing closer to the international markets, there was need to reconcile the international practices with the Spanish Laws. This led to the introduction of the concept of criminal liability of legal entities.

The objective Abengoa hopes to attain by creating this program is for the board of directors and the management to apply and practice with ethics, legality and efficacy in business activities and transactions (good governance), with a systematic focus by the organization to evaluate and manage risks, as well as to ensure that the organization and its employees comply with the valid laws, existing regulations and standards, including the company's behavioural standards (regulatory compliance), with Abengoa exercising the due control and providing a strategic vision to tackle the legal needs of the organization. The creation of a regulatory compliance monitoring program by introducing an effective system of good governance and crime prevention is also an inevitable resource for the reputation of Abengoa.

Abengoa's **corporate compliance** program establishes standards and procedures for preventing and detecting bad corporate practices with the board of directors acting as the authority supervising the implementation and improvement of the compliance program and creating the internal post of **compliance officer**. An appropriate corporate compliance program requires an evaluation of the criminal, social and corporate good governance risks, a monitoring authority, a follow-up, action and surveillance program as well as a significant task of continuous training of employees.

- **2. In this section, you may also include any other information, clarification or detail related to the sections set forth above in the report, to the extent that these are deemed relevant and not reiterative.**

Specifically, indicate whether the company is subject to non-Spanish legislation with regards to corporate governance and, if so, include the information it is obliged to provide and which is different from that required in this report.

Admission to trade on NASDAQ

The ADS (American Depositary Shares) of Abengoa, SA purchased for Class B Shares were officially admitted to trade on NASDAQ, electronics stock market of American shares, on October 17, 2013. As a consequence thereof Abengoa has to comply with the SEC requirements on the aspect of providing information, which implies reporting to the SEC all relevant information that the CNMV may publish in Spain, as well as having to make certain financial information available to SEC on yearly basis.

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International Advisory Board

In 2010, Abengoa, becoming aware of its growing international implications in business transactions, created the International Advisory Board, with the board of directors empowered to select its members. The Advisory Board is a non-ruled voluntary body that renders technical and advisory consultancy services to the board of directors, under which it is organically and functionally subordinate, as consultant and strictly professional adviser; its main function is to serve as support to the board of directors within the scope of the latter's own competences, collaborating and advising, basically focusing its activities on responding to inquiries made by the Board of Directors in connection to all issues on which the board of directors may seek advice, or even suggesting and making proposals deemed outcome of their experience and analysis. This task of providing consultancy in strategic, environmental and corporate themes is in line with the greater knowledge Abengoa holds in the needs of the various interest groups. It is one of the best indicators of the needs of interest groups

In 2013 the number of the International Advisory Board was increased from 9 to 11 members with the incorporation of Mr. Javier Benjumea Llorente, of the Wilmer Cutler Pickering Hale and Dorr LLP Law Firm (Pennsylvania, Washington, DC, in the US) and of Mr. Alan Garcia Perez and the exit of Mr. Carlos Sebastian Gascón.

The international advisory board comprises of persons of renowned prestige in various matters at the international level. The most suitable profiles are selected based on the criteria of qualifications regardless of gender. The procedure for selecting them is not based on specific interests but on professional merits and profiles.

The members of the advisory board serve for two years, with the board of directors empowered to select its members who can also be re-selected. One of the board members was female, from India, Ms. Pamposh Bhat. Her tenure ended after she served for two years.

Composition and profiles

Javier Benjumea Llorente	Executive Chairman
José Borell Fontelles	Vice-chairman
Kemal Dervis	Member
Mario Molina	Member
Nicholas Stern	Member
Ricardo Hausmann	Member
Bill Richardson	Member
Lord Douro	Member
Álvaro Fernandez - Villaverde y Silva	Member
Alan Garcia Perez	Member
Wilmer Cutler Pickering Hale and Dorr LLP Law Firm (Pennsylvania, Washington, DC in the US)	Member

Whistleblowing Channel

Abengoa and its business units have been operating a whistleblower channel since 2007 pursuant to the requirements of the Sarbanes-Oxley Act, whereby interested parties may report to the audits committee possible irregularities regarding accounting, auditing or internal controls over financial reporting. A register is kept of all communications received in relation to the whistleblower, subject to the necessary guarantees of confidentiality, integrity and availability of the information. The Internal Audits team conducts an inquiry into each claim it receives.

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In highly technical cases, the company secures the assistance of independent experts, thus ensuring at all times that it has the sufficient means of conducting a thorough investigation and guaranteeing sufficient levels of objectivity when performing the work.

Rights inherent in Class A and B Shares

Article 8 of Abengoa's Bylaws regulates the different rights inherent in Class A and B shares. The extraordinary general shareholders' meeting held on the second call on September 30, 2012, agreed to amend Article 8 of Abengoa's Bylaws to include a mechanism for voluntarily converting class A shares into class B shares. Below is the aforementioned sub-section of the aforementioned Article 8 which includes the right of voluntary conversion:

" [...] A.3) The Right of conversion into Class B Shares

Each Class A Share entitles its owner to the inherent right to convert it into a Class B Share until December 31, 2017.

Owner may exercise its right of conversion by notifying the company or, better still, as the case may be, the agency designated for such, through the corresponding participating entity of the Securities Registration, Compensation and Liquidation Management Company (Iberclear), through any media that permits the issuance of remittance and reception of receipts, of notification, deemed irrevocably and unconditionally submitted, reflecting the total number of class A shares owned by said owner and the exact number of class A shares over which said owner wishes to exercise the inherent rights of conversion, in order for the Company to execute the agreements necessary for effecting the aforementioned conversion and to subsequently inform the CNMV by issuing the corresponding Notice of Significant Event.

The aforementioned notice shall include the corresponding Certificate of Ownership and Legitimacy for the Class A Shares issued by an entity that must be participant in the Iberclear Management Systems, or through an intermediary or depository or financial entity managing the shares under the terms set forth in the regulations governing securities representation by means of book-entry or through any other equivalent means of accreditation to which the Company grants sufficient validity for that purpose.

The exercise of the inherent conversion rights of a class A shares shall be understood as a deduction in the company's stock capital in the amount of the difference between the nominal value of the class A shares for which the inherent rights are exercised and the nominal value of the same number of class B shares, an amount that will increase the restricted reserve which the company would already have set aside for that purpose and in accordance with Article 335.c) of the Corporations Act.

The Board of Directors, with the specific faculty of substitution by the Chairman or the Chief Executive, shall be empowered to determine the period, frequency and procedure for exercising the inherent conversion rights, including, if applicable, the decision of adequacy of the aforementioned equivalent means of accreditation, as well as all other aspects that may be deemed necessary for the proper and correct exercise of said right, which shall all be appropriately communicated through the corresponding notice of significant event. [...]

Reinforcement to guarantee minority rights

In its relentless struggle to reinforce minority rights, Abengoa submitted a series of bylaw amendments to the extraordinary general shareholders' meeting for approval for the purpose of ensuring that the so-called "defence of minority rights" does not suffer infringements for the mere fact that two different classes of shares exist with different nominal values simply because the lesser nominal value of the class B shares would entail that it is more difficult to obtain the percentages of the stock capital required for the exercise of policy rights. Thus, the general meeting of the shareholders approved the amendments of Abengoa's bylaws in the manner set forth below to envisage that all rights are exercised considering the number of shares as basis for the percentage, and

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not the stock capital. These rights, like, for example, the right to convene a shareholders meeting or to request the exercise of corporate liability action, requires the ownership of a specific percentage of stock capital in the nominal sense (in the cited case, 5 %).

Specifically, the extraordinary general meeting of the shareholders approved the amendment of the bylaws in order for it to reflect as follows: that shareholders would require to own three hundred and seventy-five (375) shares, regardless of whether class A or B, to attend the general meeting of the company's shareholders; that shareholders should be allowed to request the publication of a supplement to the call for an ordinary general meeting of shareholders including one or more points on the agenda and to submit proposals of decisions on issues already included or that should be included on the agenda of the convened meeting based on the number of shares owned by the shareholders; that (i) shareholders who own one percent of the voting shares may request the presence of Notary Public to endorse the minutes of the general meetings of shareholders on the basis of the number of shares that they may own; (ii) shareholders who own five percent of voting shares may request the convening of the general meeting of the shareholders to decide on the corporate liability action against directors or to exercise the corporate liability actions without or against the decision of the shareholders' general meeting; that the company's board of directors convene a general meeting of the shareholders if requested as such by shareholders representing five percent of the company's voting shares; that the company's board of directors may extend the general meeting of the shareholders if requested as such by the shareholders representing five percent of the company's voting shares and that the company's board chairman may suspend the rights to information as established in Article 197 of the Corporations Acts if requested as such by shareholders representing less than twenty-five percent of the company's voting shares.

- **3. The company may also indicate whether it voluntarily adhered to other codes of the principles of ethics or other good practices, international, sector-wise or of other scope. As the case may be, the company shall identify the code in question and the date of adherence thereto.**

As a result of our commitment to transparency, in order to continue to ensure the reliability of the financial reporting prepared by the company, we adapted it to the requirements established in section 404 of the United States Sarbanes-Oxley Act (SOX) (during the year 2007). For another year, we are able to voluntarily submit the internal monitoring system of the whole group to an independent evaluation process conducted by external auditors under the PCAOB (Public Company Accounting Oversight Board) audits standards.

This standard is a compulsory law for all companies listed in the United States and is intended to ensure the reliability of the financial reporting of these companies and to protect the interests of their shareholders and investors by setting up an appropriate internal monitoring system. Thus, and even though none of the Business Units are under obligation to comply with the SOX Law, Abengoa believes it is best for all its companies to comply with said requirements, since said rules complete the risks monitoring model that the company uses.

Likewise, in 2002 Abengoa signed the United Nations World Pact, an international initiative aimed at getting entities to voluntarily commit to social responsibility, by implementing the ten principles based on human, labour and environmental rights, and on the fights against corruption

In 2006 Abengoa Peru signed the United Nations World Agreement, an agreement that is part of the principles of strategy, culture, and the daily transactions of our company, and we strive to make a clearer declaration of our commitments - both to our employees, colleagues, clients, as well as to the public in general.

Also, in 2007, the company signed the Caring for Climate initiative, also from the United Nations. Consequently, Abengoa set in motion a system of reporting on greenhouse gas (GHG) emissions which would permit it to register its greenhouse gas emissions, know the traceability of all its supplies and to certify its products and services.

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Annual corporate governance report

This Annual Corporate Governance Report was approved by the company's Board of Directors at its meeting held on: February 20, 2014.

Indicate whether Board Members voted against or abstained from voting for or against the approval of this Report.

No.



03.2

Annual report from the appointments
and remunerations committee

03

Annual report on the remunerations of members of the boards of listed corporations

A. The company's remunerations policy for the ongoing financial year

A.1 Explain the company's remunerations policy. The following information must be provided under this topic:

- General principles and bases for the remuneration policy.
- The most important changes made in the remunerations policy with regards to that applied in the last financial year, as well as changes made in the conditions for the exercise of options granted during the financial year.
- Criteria and composition of groups of comparable companies whose policies have been considered remuneration for establishing the remuneration policy of the company.
- The relative significance of variables with regards to fixed remunerations and the criteria implemented to determine the various components of the remuneration package of board members (rewards/benefits package).

Explain the remunerations policy

Abengoa deems it crucial to maintain policies geared towards proposing long-term professional careers in the Group. Given the extremely competitive nature of Abengoa's sphere of activities, the achievement of its goals and objectives greatly depends on the quality of the persons holding key posts and leading the organization, their work capacity, dedication to, and knowledge of, the business.

These premises determine the group's policy of remuneration in general, that of the Board Members in particular, and especially that of the executives, and it should make it possible to attract and retain the best amongst the professionals.

Consequently, the aim of the policy of Remuneration of Board Members is as follows:

- Remuneration for the performance of mere board-member duties: this must be appropriate and enough to reward the necessary dedication, qualification, and responsibility required for the correct performance at such post.
- Remuneration for the performance of executive duties by Executive Board Members: this must ensure as follows:
 - (i) That the overall remuneration package and its structure are competitive in comparison with the international sector and compatible with our vocation of leadership.
 - (ii) Maintaining an annual variable component based on the achievement of specific and quantifiable objectives that are in line with the interests of shareholders

There were no significant changes in the remunerations policy during this financial year in comparison with that of the preceding financial year. Thus, board member compensation still excludes the awarding of shares or the granting of options over shares.

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Annual report on the remunerations of members of the boards of listed corporations

The criteria employed in establishing the board member remunerations policy is in conformity with the provisions of the Corporations Act (specifically, Articles 217 and following), the Bylaws (Article 39) and the Regulations of the Board of Directors, establishing various criteria based on executive and non-executive board membership:

– **Remuneration for non-executive board member posts**

The post of board member is remunerated following the stipulations of article 39 of the Bylaws. The salary may consist of a fixed amount set up by the General Assembly, not necessarily equal amounts for all members. It could also be an allotment of a portion in the Company's profits, between 5 and 10 percent maximum of the annual profit after subtracting the dividend, for the financial year at hand, plus reimbursement of duty and Board-related travel expenses.

This remuneration is linked to EAT (Earnings After Tax); it may also include rewards for membership of Board of Directors Committees and, where possible, for Chairmanship.

– **Remunerations for the performance of other non-board member Company duties**

These include remunerations to board members for performing duties, as executive board members or otherwise, other than those of supervision and decisions executed on the Board or on its Committees.

These remunerations are compatible with the perception of the bylaws and the allowance that may be payable for their mere condition of membership of the Board of Directors.

Executive-duty salary packages include the following basic elements:

– (a) Fixed remuneration

This amount must be competitive in comparison to those on the market in line with the leadership position that Abengoa strives to attain. It must be determined through market studies conducted by external consultants. The fixed salary consists of the following:

- 1) Salary Level. This is the basic fixed monthly salary, stipulated for each category or level.
- 2) Special Responsibility Allowance (SRA). This supplementary payment is freely allocated by the Company's Management and payable on monthly basis. It is therefore linked to and dependent on the exercise of a specific duty or the performance of a given responsibility.

– (b) Variable annual remuneration (bonus)

Variable annual remuneration (or bonus) for executive board members is basically dependent on the fulfilment of objectives. Said objectives are in reference to gross cash flows / Ebitda for some board members or to earnings after tax (EAT) for others. Based on these criteria, a range of total variation of the variable remuneration of executive board members is estimated at the start of financial year.

The fixed remuneration therefore includes the salary level amount and the special responsibility allowance, payable monthly.

The variable remuneration is the annual bonus payable in bulk.

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Annual report on the remunerations of members of the boards of listed corporations

...

The relative weight and the criteria for determining the variable remuneration for executive board members are based on the following:

- Market references based on the information provided by top world consultants on remuneration.
- The essential reference for the variable annual remuneration is the evolution of earnings after tax (EAT) and the gross cash flows / Ebitda, whether for Abengoa in general or, for executive board members holding non-general responsibilities, commensurate with the degree of responsibility.
- At the end of the financial year this basic quantitative element is considered together with other qualitative elements, which may vary from year to year, and may allow the decision to be dependent on the actual amount of the variable remuneration at that moment.

A.2 Information on the preparation and decision-making process followed to determine the remuneration policy and the role played, if so, by the remunerations committee and other monitoring organs in establishing such remunerations policy. As the case may be, said information must include the power vested in the Remunerations Committee, its composition and the identity of the External Consultants that rendered the advisory services in defining the remunerations policy. It must also include the nature of the board members who, if any, participated in defining the remunerations policy.

Explain the process involved in determining the remunerations policy

By virtue of the task assigned by the Board of Directors, the remunerations policy is prepared, discussed and formulated by the Appointments and Remunerations Committee which then submits the resulting proposal to the Board of Directors for approval at the start of each financial year.

The current members of the Appointments and Remunerations Committee, and, as such, participants in defining the remunerations policy, are as follows:

José Borrell Fontelles	Executive Chairman	Non-executive independent Board Member
José Luis Aya Abaurre	Member	Non-executive Proprietary Board Member
Aplicaciones Digitales, S.L. (Represented by José B. Terceiro Lomba)	Member	Executive Board Member
Alicia Velarde Valiente	Member	Non-executive independent Board Member
Mercedes Gracia Díez	Member	Non-executive independent Board Member
José Marcos Romero	-	Non-Board Member Secretary

The secretary was appointed during the Appointments and Remunerations Committee meeting held via circular resolution on 28th January 2004; the Chairman was however appointed during the Appointments and Remunerations Committee meeting held on 23rd July 2012.

03 Annual report on the remunerations of members of the boards of listed corporations

The Appointments and Remunerations Committee consequently comprises of one executive and four non-executive board members, in compliance with the requirements set forth in the Financial Systems Reform Law. Likewise, in accordance with the provisions in Article 2 of its Internal Regulations, the position of committee chairman must be held by a non-executive board member.

External consultants did not participate in determining the remunerations policy.

A.3 Indicate the nature and amount of the fixed components, where possible, itemizing the rewards of the executive board members for performing top-management duties, listing all additional rewards as chairperson or as member of a board of directors committee, stating the allowance for sitting on the board and its committees or other fixed remunerations as board member, and estimating the total of the fixed annual remuneration. Identify other benefits not payable in cash and the basic parameters by which they are awarded.

Explain the fixed components of the remuneration

In Abengoa, only executive board members are entitled to fixed remunerations, which are entirely derived from salaries assigned for the performance of duties. During the 2013 financial year, the total paid as salary to executive board members is €2,435 thousands of Euros.

Both allowances of board of directors and amounts payable for committee membership or chairmanship were paid only for attending. Amounts paid in 2013 under said items are as follows:

- Allowance for board of directors: €1,580 thousands of Euros
- Membership or chairmanship of committees: €499 thousands of Euros

Individuals serving as executive board members, in their condition as employees of the company, are granted life insurance coverage and the Company paid the 2013 premium in the amount of €2 thousands of Euros.

In addition, the company engaged security services for the amount of €108 thousands of Euros.

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Annual report on the remunerations of members of the boards of listed corporations

A.4 Indicate the amounts and explain the nature and main characteristics of the variable components of the remunerations system.

Specifically:

- **Identify all remuneration plans of which board members are the beneficiaries, the scope, approval date, initial application date, and validity period, including their main characteristics. If the plans involve options held over shares and other financial instruments, the general characteristics of such plans must include information on the conditions governing the exercise of said options or financial instruments for each of the plans.**
- **Indicate all remunerations in concept of participation in benefits or bonus, and the reasons why.**
- **Explain the basic parameters and grounds for any system of bonus allocation**
- **The classification of board members (executive, external proprietary, external independent and other external board members) who are beneficiaries of remuneration systems or plans that incorporate variable remuneration.**
- **The basis for said systems of variable remunerations or plans, the criteria for evaluating the selected performance, the components and methods of evaluation to determine whether or not said evaluation criteria are met, and an estimate of the absolute amount of the variable remunerations that may arise from the remuneration plan in vigour, based on the degree of completion of the hypothesis or objectives taken as reference. In such a case, report on the periods of deferment or postponement established for payment and/or the periods for retaining shares or other financial instruments if existing.**

Explain the variable components of the remuneration systems

Variable annual remuneration (or bonus) for executive board members is basically dependent on the fulfilment of objectives. Said objectives are in reference to gross cash flows / Ebitda for some board members or to earnings after tax (EAT) for others. Based on these criteria, a range of total variation of the variable remuneration of executive board members is estimated at the start of financial year.

The variable remuneration is the annual bonus payable in bulk.

The total amount of the bonus payable to the executive board members for the 2013 financial year reaches €10,595 thousands of Euros.

Extraordinary Variable Compensation Plan for Directors.

Currently the company has a long-term extraordinary variable compensation plan for directors, approved by the Company's Board of Directors in February 2011 following a proposal forwarded by the Appointments and Remunerations Committee.

Among other directors, said Plan includes the executive board members as beneficiaries (the participants), and covers a period of five years (2011 to 2015), and establishes the following as beneficiary eligibility conditions:

- (a) That the beneficiary remains as employee of either Abengoa or of any of its subsidiaries, for a given period.
- (b) That during each financial year of the given period the beneficiary must be entitled to the annual bonus within the framework of the Abengoa strategic business plan in which said beneficiary worked during said year, as long as he/she meets at least 90% of the objectives set forth in said plan (net benefit, hiring, margins, etc.). The annual objectives that must be met so as to be entitled to an annual bonus (variable remuneration) are dependent on the volume of business envisaged and its margin, the execution of projects, level of outstanding payments, etc.

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Upon the maturity of the Plan, the only moment of accrual and enforceability, it shall be liquidated in proportion to the number of financial years consolidated.

- (c) That the five-year plan of Abengoa or the relevant subsidiary must be met in accordance with the strategic plan of June 2011, and the beneficiary must be employed in one of said entities for the 2011-2015 financial years.
- (d) That the average trading of the Abengoa shares not be lower than a specified value, during the last three months of 2015.

In the event that a beneficiary of the aforementioned plan ceases to be such (whether by voluntary severance or fair dismissal) before the date the plan is scheduled to mature, he/she shall not be entitled to any payment whatsoever by virtue of the plan.

On the other hand, in the event of a demise of a beneficiary, its inheritors shall be entitled, when the plan matures, to claim the amount accumulated during the completed financial year(s) preceding the demise.

Should a beneficiary retire as a result of reaching the retirement age established by law or due to total disability (preventing said beneficiary from performing any other kind of work) before the date the plan is scheduled to mature, said beneficiary shall be entitled to claim the amount accumulated during the completed financial year(s) preceding such retirement, as long as the other established conditions are met.

Abengoa shall acknowledge the corresponding remuneration upon maturity if the aforementioned conditions are met.

A.5 Explain the main characteristics of the long-term savings systems, including retirement and any other survivor's pensions, partially or totally financed by the company, whether internally or externally endowed, estimating the equivalent annual amount or cost, indicating the type of plan, whether defined contribution or defined-benefits, the conditions of the consolidation of the economic rights for the board members and their compatibility with any kind of compensation for early termination or for the resolution of the contractual relationship between the company and the board member.

Also indicate the pension plan contributions paid on behalf of board member, or any increase in the vested rights of board member in the case of contributions to defined-benefit plans;

Explain the long-term savings systems

The compensation package for Abengoa board members does not include any long-term savings system.

A.6 Indicate any board member severance packages agreed upon or paid.

Explain the compensations

Abengoa does not entertain any agreed-upon board member severance package and the company did not pay any compensation under such item during the 2013 financial year.

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A7. Indicate the conditions that must be included in the contracts of those who perform senior management duties as executive directors. Among others, the disclosure must include the duration of the contract, the limits of compensations, the continuance clauses, the length of the periods of advance notice, the payments in lieu of the aforementioned periods of advance notice, and any other clauses in relation to hiring bonus, as well as compensations or golden parachutes for early termination or the resolution of any contractual relationship between the company and the executive board member. It must also include non-concurrent, exclusivity, continuance, loyalty and post-contractual non-competition agreements or pacts.

Explain the conditions of contracts signed with executive board members

Contracts signed with executive board members are indefinite but not considered special contracts of senior management. Such contracts are consequently adjusted and subject to the ordinary labour laws. There are no foreseeable exceptional circumstances relating to the Company eventually rescinding the services of a board member.

A.8 Explain any supplementary remuneration payable to board members in consideration for rendered services other than those inherent in their duties.

Explain the supplementary remunerations

In Abengoa there are no supplementary remunerations payable to its board members.

A.9 Indicate any payments in the form of advances, credits and guarantees granted, stating the interest rates, essential features and the amounts gradually returned, including the obligations assumed in the form of guarantees.

Explain the advances, credits and guarantees granted

Abengoa has not granted any advances, credits or guarantees to members of its Board of Directors.

A.10 Explain the main characteristics of remunerations-in-kind.

Explain the remunerations-in-kind

Remunerations-in-kind is reduced to bonus payable by the Company in the form of life insurance for individuals serving on the executive board -because of their condition as employees of Abengoa and not as its board members- and for the security services.

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A.11 Indicate the remunerations accumulated by a board member through payments made by the listed company to a third party entity where the board member renders services, if the payments are meant for remunerating the member's services in the entity.

Explain the remunerations accumulated by the board member through payments made by the listed company to a third party entity where the board member renders services

No payments were made to any company for the purpose of remunerating the services rendered to Abengoa by external board members.

A.12 Explain any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially if considered an associate transaction or if its omission would distort the true nature of the total remuneration received by the board member.

Explain the other wage components

There are no wage components other than those outlined in previous sections.

A.13 Explain the actions taken by the company in relation to the remunerations system to reduce exposure to excessive risks and to adjust it to the company's long-term objectives, values and interests, including, as the case may be, a reference to: measures put in place to guarantee that the remuneration policy coincides and remains in line with the company's long-term results; measures to establish the appropriate equilibrium between the fixed and variable components of the remuneration; measures put in place with regards to categories of personnel whose professional activities bear material repercussion on the entity's risks profile; recovery formulae or clauses to ensure the refund of variable components of remuneration paid based on results if it happens that such components had already been paid because of some data initially deemed accurate but later proven to be erroneous and misleading and the measures put in place to prevent conflicts of interests, as the case may be.

Explain the actions taken to reduce the risks

To ensure the effective running of the organization and to guarantee the company's long-term future, in addition to a good strategic planning, it is inevitable to retain an accurate and rigorous management that considers the risks associated with the company's activity itself and to have a foresight into how to mitigate them.

Thus, Abengoa has a global system for managing its own risks, included in the common management systems, which permits the monitoring and identification of risks and which are regularly updated for the purpose of creating a culture of common management, achieving the objectives set forth in the

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area and having the capacity to adjust in order to mitigate threats that may surface in an environment as competitive as the present.

The introduction of this system enforces the following:

- The management of risks at all levels of the organization, without any exceptions.
- Its full integration into the strategy and into the systems for achieving the fixed objectives.
- The full support of the management to evaluate, follow-up on and comply with guidelines relating to the management of threats.

This system of risks management is based on three tools:

- The compulsory internal norms (NOC).
- The compulsory process to be followed (POC).
- The Universal Risks Model (URM).

Compliance with them is guaranteed through the verification conducted by the Internal Audits Department and at committee meetings regularly held with senior staff and chairman's office.

These tools and common management systems are designed from quality standards aimed at complying with international rules and regulations like the ISO 31000 and the Sarbanes-Oxley Act, and have been certified by companies of international repute.

The Universal Risks Model (URM) is the methodology that Abengoa uses for the identification, comprehension and evaluation of the risks that may affect the company. Its main purpose is to obtain an integral vision of them, designing an efficient system that is in line with the business goals and objectives of Abengoa.

The URM consists of more than 55 risks classified into 20 different categories grouped into 4 large areas: financial, strategic, regulations and transactions.

The URM is subject to annual revisions to ensure that the calculations designed for each risk are the most appropriate for the day-to-day operations of the company.

B. Remunerations policy envisaged for future financial years

B.1 Prepare a general forecast of the remunerations policy for future financial years, describing said policy with regards to the following: fixed components and allowances and remunerations of variable nature; the relation between remunerations and results; forecasting systems; the conditions of the contracts of executive board members; and the forecasts of the most significant changes in the remuneration policy in comparison with previous financial years.

General forecasts of the remunerations policy

Abengoa does not foresee any significant changes in the Board of Directors remunerations policy for future financial years. It remains in line with that of the present financial year.

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B.2 Explain the decision-making process for determining the remunerations policy envisaged for future financial years, and the role played, if any, by the remunerations committee.

Explain the decision-making process for determining the remunerations policy

The remunerations policy is approved by the Board of Directors, following the proposal from the Appointments and Remunerations Committee.

The Committee is considered validly constituted if the majority of its members are present. Only non-executive board members can act as representatives.

Decisions taken are deemed valid if favourably voted by the majority of the committee members, present or represented. Situations of tie are resolved by Chairman's vote.

The company's head of remunerations act as secretary in the Committee meetings.

B.3 Explain the incentives created by the company in the remunerations system to reduce exposure to excessive risks and to adjust it to the company's long-term objectives, values and interests.

Explain the incentives created to reduce risks

The Abengoa risks management has been paramount in driving the company to the current leadership position held on the market. Its global risks management system, included in the common management systems, permits it to monitor and identify risks at all levels of the organization and to mitigate threats that may arise, without necessarily having to establish specific incentives in that regard in the remuneration policy of the board of directors.

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C. Overall summary of how the remunerations policy was applied during the closed financial year.

C.1 Provide a summary of the main features of the structure and wage components of the remunerations policy applied during the closed financial year, detailing the individual components received by each of the board members listed in section D of this report. Also provide a summary of the decisions taken by the board of directors towards the application of said components.

Explain the structure and wage components of the remunerations policy applied during the financial year

The structure and wage components of the Abengoa board members vary based on whether or not the board member is an executive, and is approved by the board of directors at the start of each financial year:

- Remuneration for non-executive board member position

The position of board member is remunerated following the stipulations of article 39 of the Bylaws. The salary may consist of a fixed amount set up by the General Assembly, not necessarily equal amounts for all members. It could also be an allotment of a share in the Company's profits, between 5 and 10 percent maximum of the annual profit after subtracting the dividend, for the financial year at hand, plus reimbursement of duty and Board-related travel expenses.

This remuneration is linked to EAT (Earnings After Tax); it may also include rewards for membership of Board of Directors Committees and, where possible, for Chairmanship.

- Remunerations for the performance of other non-board member Company duties

These include remunerations to board members for performing duties, as executive board members or otherwise, other than those of supervision and decision-making performed on the Board or on its Committees.

These remunerations are compatible with the perception of the bylaws and the allowances payable for the mere condition as members of the Board of Directors.

Executive-duty salary packages include the following basic elements:

- (a) Fixed remuneration

This amount must be competitive in comparison to those on the market in line with the leadership position Abengoa strives to attain. It must be determined through market studies conducted by external consultants. The fixed salary consists of the following:

- 1) Salary Level. This is the basic fixed monthly salary, assigned to each category or level.
- 2) Special Responsibility Allowance (SRA). This supplementary payment is freely decided upon by the Company's Management and payable on monthly basis, and it is therefore linked to and conditioned by the exercise of a specific duty or the performance of a given responsibility.

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— (b) Variable annual remuneration (bonus)

Variable annual remuneration (or bonus) for executive board members is basically dependent on the fulfilment of objectives. Said objectives are in reference to gross cash flows / Ebitda for some board members or to earnings after tax (EAT) for others. Based on these criteria, a range of total variation of the variable remuneration of executive board members is estimated at the start of financial year.

The fixed remuneration therefore includes the salary level amount and the special responsibility allowance, payable monthly.

The variable remuneration is the annual bonus payable in bulk.

D. Detail of individual payments received by each of the board members

Name	Typology	Period of accrual 2013 financial year
Fernando Solís Martínez-Campos	Proprietary (Dominion)	From 01.01.13 to 31.12.13
Carlos Sundheim Losada	Proprietary (Dominion)	From 01.01.13 to 31.12.13
Alicia Velarde Valiente	Independent	From 01.01.13 to 31.12.13
Felipe Benjumea Llorente	Executive	From 01.01.13 to 31.12.13
Aplidig, S.L.	Executive	From 01.01.13 to 31.12.13
Manuel Sánchez Ortega	Executive	From 01.01.13 to 31.12.13
José Joaquín Abaurre Llorente	Proprietary (Dominion)	From 01.01.13 to 31.12.13
José Luis Aya Abaurre	Proprietary (Dominion)	From 01.01.13 to 31.12.13
Javier Benjumea Llorente	Executive	From 01.01.13 to 31.12.13
María Teresa Benjumea Llorente	Proprietary (Dominion)	From 01.01.13 to 31.12.13
José Borrell Fontelles	Independent	From 01.01.13 to 31.12.13
Mercedes Gracia Díez	Independent	From 01.01.13 to 31.12.13
Ricardo Martínez Rico	Independent	From 01.01.13 to 31.12.13
Claudi Santiago Ponsa	Proprietary (Dominion)	From 01.01.13 to 31.12.13
Ignacio Solís Guardiola	Proprietary (Dominion)	From 01.01.13 to 31.12.13

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D.1 Complete the following tables with regards to the itemized remunerations of each of the board members (including the wages for the performance of executive duties) received during the financial year.

a) Wages and salaries received in the company covered by this report:

i) Remunerations payable in cash (in thousands of Euros)

Name	Salary	Fixed Remuneration	Per diem (allowance)	Short-term variable remuneration	Long-term variable remuneration	Remuneration for serving on Board of Directors Committees	Compensation	Other items	Total 2013 Financial year	Total 2012 Financial year
Ricardo Martínez Rico	-	-	121	-	-	15	-	-	136	117
Fernando Solís Martínez-Campos	-	-	78	-	-	-	-	-	78	78
Manuel Sánchez Ortega	1,086	-	93	3,304	-	-	-	1	4,484	4,483
Carlos Sundheim Losada	-	-	78	-	-	-	-	-	78	70
José Luis Aya Abaurre	-	-	110	-	-	40	-	-	150	150
María Teresa Benjumea Llorente	-	-	78	-	-	-	-	-	78	78
Javier Benjumea Llorente	263	-	78	1,183	-	200	-	108	1,832	298
José Joaquín Abaurre Llorente	-	-	110	-	-	40	-	-	150	150
Felipe Benjumea Llorente	1,086	-	93	3,304	-	-	-	1	4,484	4,483
Ignacio Solís Guardiola	-	-	78	-	-	-	-	-	78	78
Claudi Santiago Ponsa	-	-	62	-	-	-	-	-	62	55
José Borrell Fontelles	-	-	176	-	-	124	-	-	300	300
Mercedes Gracia Díez	-	-	160	-	-	40	-	-	200	200
Alicia Velarde Valiente	-	-	110	-	-	40	-	-	150	150
Aplidig, S.L.	-	202	93	2,804	-	-	-	-	3,099	3,099

ii) Share-based remunerations systems

Not applicable.

iii) Long-term savings systems

Not applicable.

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iv) Other benefits (thousands of €)

Manuel Sánchez Ortega				
Remunerations in advance payments, credits granted				
Interest rates of transaction		Essential characteristics of transaction		Amounts eventually returned
0,00		N/A		N/A
Life insurances premiums		Guarantees constituted by the company in favour of directors		
Exercise 2013	Exercise 2012	Exercise 2013		Exercise 2012
1	0	N/A		N/A

Felipe Benjumea Llorente				
Remunerations in advance payments, credits granted				
Interest rates of transaction		Essential characteristics of transaction		Amounts eventually returned
0,00		N/A		N/A
Life insurances premiums		Guarantees constituted by the company in favour of directors		
Exercise 2013	Ejercicio 2012	Exercise 2013		Exercise 2012
1	0	N/A		N/A

b) Remunerations received by the company's board members for serving on boards of other companies of the group:

i) Remunerations payable in cash (in thousands of Euros)

Name	Salary	Fixed Remuneration	Per diem (allowance)	Short-term variable remuneration	Long-term variable remuneration	Remuneration for serving on Board of Directors Committees	Compensation	Other items	Total 2013 Financial year	Total 2012 Financial year
Ricardo Martínez Rico	-	-	-	-	-	-	-	-	-	13
María Teresa Benjumea Llorente	-	-	24	-	-	-	-	-	24	24
Javier Benjumea Llorente	-	-	38	-	-	-	-	-	38	-

ii) Share-based remunerations systems

Not applicable.

iii) Long-term savings systems

N/A.

Not applicable.

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c) Summary of the remunerations (thousands of €):

The summary must include the amounts for all wage components included in this report which the board member may have accumulated, in thousands of Euros.

Regarding the long-term Savings Systems, it must include the contributions made to or funding provided for this kind of systems:

Name	Remuneration accrued in the Company				Remuneration accrued in other Companies of group				Total		
	Total cash Remuneration	Amount of shares awarded	Gross benefit of options exercised	Company total 2013 Financial year	Total cash Remuneration	Amount of shares awarded	Gross benefit of options exercised	Group total 2013 Financial year	Total 2013 Financial year	Total 2012 Financial year	Contribution to savings system during financial year
Ricardo Martínez Rico	136	-	-	136	-	-	-	-	136	130	-
Fernando Solís Martínez-Campos	78	-	-	78	-	-	-	-	78	78	-
Manuel Sánchez Ortega	4,484	-	-	4,484	-	-	-	-	4,484	4,483	-
Carlos Sundheim Losada	78	-	-	78	-	-	-	-	78	70	-
José Luis Aya Abaurre	150	-	-	150	-	-	-	-	150	150	-
Maria Teresa Benjumea Llorente	78	-	-	78	24	-	-	24	102	102	-
Javier Benjumea Llorente	1,832	-	-	1,832	38	-	-	38	1,870	78	-
José Joaquín Abaurre Llorente	150	-	-	150	-	-	-	-	150	150	-
Felipe Benjumea Llorente	4,484	-	-	4,484	-	-	-	-	4,484	4,483	-
Ignacio Solís Guardiola	78	-	-	78	-	-	-	-	78	78	-
Claudi Santiago Ponsa	62	-	-	62	-	-	-	-	62	55	-
José Borrell Fontelles	300	-	-	300	-	-	-	-	300	300	-
Mercedes Gracia Díez	200	-	-	200	-	-	-	-	200	200	-
Alicia Velarde Valiente	150	-	-	150	-	-	-	-	150	150	-
Aplidig, S.L.	3,099	-	-	3,099	-	-	-	-	3,099	3,099	-
Total	15,359	-	-	15,359	62	-	-	62	15,421	13,606	-

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D.2 Report on the relationship between remunerations obtained by board members and the results or other performance measurements of the company, explaining, if so, how the variations in the performance of the company influenced the variations in the remunerations of the board members.

- The essential reference for the variable annual remuneration is the evolution of earnings after tax (EAT) and gross cash flows / Ebitda, whether for Abengoa in general or, for executive board members holding non-general responsibilities, commensurate with the degree of responsibility.
- At the end of the financial year this basic quantitative element is be considered together with other qualitative elements, which may vary from year to year, and may allow the decision to be based on the actual amount of the variable remuneration at that moment.
- Based on the criteria established for determining the annual bonus, it is payable in proportion to the degree of fulfilment.

D.3 Report the result of the general meeting's consultative voting cast on the annual report on remunerations of the previous financial year, indicating the number of votes cast against it:

	Number	% over total
Votes cast	6,129,584,486	68.48%

	Number	% of votes cast
Votes against	40,682,260	0.66%
Votes in favour	5,680,273,775	92.67%
Abstentions	408,628,451	6.67%

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E. Other information of interest

Provide a brief detail of any other relevant aspects with regards to board member remunerations which have not been included or considered in the other sections of this report, but which should be necessarily included in order for the information, compiled on the structure and practices of remuneration with regards to board members, to be deemed complete and reasonable.

Abengoa's remunerations policy does not include other relevant elements than those already outlined in the preceding sections of this report.

This Annual Remunerations Report was approved by the company's Board of Directors at its meeting held on 20th February 2014.

Indicate whether Board Members voted against or abstained from voting for or against the approval of this Report.

Yes ☐

No ☒