



01. A message from the chairman



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

Dear All,

Let me start this letter by talking about health and safety. In 2017, thanks to the endeavours and commitment of each and every one of those who make up Abengoa, we posted a record figure in terms of health and safety. The fact is, in addition to having completed last year without any fatal or accidents with special severity (affecting neither our own personnel nor staff of our subcontractors), we have improved three points in the Frequency Rate with Sick Leave (FRSL)¹, down from 7.6 in 2016 to 4.6 in 2017.

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

Despite the achievements made in this area, during 2018 we will continue working in this direction, since it is one of our priority areas, an intrinsic part of the company's business culture, and also a priority for every person that works here.

And now let's take a look at the business. Although 2017 has also been a complex year for Abengoa on many fronts, during this period we have been able to confirm that the company's capability of winning EPC contracts in the energy, water, transmission and infrastructure sectors remains intact.

Evidence of this is that, in 2017, the company was awarded major projects in reference countries such as Argentina, Chile, United Kingdom, Saudi Arabia, Morocco, Oman and Tunisia, among others.

Thus, we have been selected by the Sociedad Nacional de Explotación y Distribución de Agua de Túnez (SONEDE), under the supervision of the Ministry of Agriculture, Water Resources and Fisheries of this country, for the execution of a desalination project. A consortium spearheaded by ACWA Power has awarded us the construction of a new desalination plant in Oman. In Saudi Arabia, we are set to build our largest desalination plant to date (250,000 m³/day), also awarded by ACWA Power and the end customer of which is the Saline Water Conversion Corporation). And with the ONEE (Office National de l'Electricité et de l'Eau Potable) and the Ministry of Agriculture, Fisheries, Rural Development, Waters and Forests of Morocco, we have signed two contracts for the development in the region of Agadir of the largest desalination project for combined use of drinking and irrigation water in

the world. In turn, this project offers the possibility of electricity supply from renewable energies.

To these we can add the electrical interconnection of a wind farm and a new electric substation in Argentina; two new projects in the space sector for the European Launch Vehicle SpA (ELV) and for Airbus Defence and Space; the expansion of a combined water treatment plant in Mexico for Gas Natural Fenosa; and new electricity transmission projects in Uruguay and Chile (contract award from Transelec for a high-voltage line and operations at the substations of Kimal and Los Changos), among others recently awarded.

However, the awarding of new contracts is as important as the culmination of the projects we have in our portfolio, which are also the leading guarantee of success for our clients and other stakeholders. In 2017, the company obtained the definitive acceptance of Xina Solar One, its third thermosolar plant in South Africa. Thanks to the construction of these three plants (KaXu, Khi and XiNa), Abengoa's technology supplies clean energy to more than 220,000 South African homes and prevents the atmospheric emission of 831,000 tonnes of CO₂ equivalent per year.

In addition, the company has also received Notice To Proceed (or NTP) with the first plant that will produce aviation fuels from Solid Urban Waste (SUW) with gasification technology in the United States. Moreover, we have made the connection to the grid of the first 62 MW –all of the plant's 100 MW were completed at the start of 2018– of the photovoltaic plant of the Cerro Dominador solar complex in Chile, as well as final acceptance of a desalination plant in Algeria,

the third that we have constructed in this country, as well as other projects in Mexico, Peru, India and Oman.

Likewise, throughout 2017 we have continued working on the construction of emblematic projects such as, in Saudi Arabia, Waad Al-Shamal, the largest hybrid solar-gas plant in the world; or the Agua Prieta solar field, our first solar thermal plant in Mexico, which will be integrated with a combined cycle to form the country's first hybrid solar-gas plant.

Currently, with a headcount of 12,468 employees², we boast a presence in 29 countries and generate recurring earnings before interest, tax, depreciation and amortisation (EBITDA) of 127 million euros at the end of the year.

In 2017, significant progress was also made in the asset divestment programme introduced through Abengoa's financial feasibility plan. The agreement for the sale of 25% of Atlantica Yield to the company Algonquin Power & Utilities Corp. was one of the great milestones of last year. Abengoa-Algonquin Global Energy Solutions (AAGES), a joint venture that will bring new business opportunities for Abengoa, came about as a result of signing this contract.

We have also reached agreements with companies such as Trilantic Europe, for the sale of the four bioethanol plants that Abengoa owned in Spain and France. We agreed the sale of the Norte III combined cycle power station in Mexico with the

consortium formed by Macquarie Capital and Techint Ingeniería y Construcción. In addition, within the framework of restructuring the debt held by the company in Brazil, there has been the sale of the transmission lines in operation (brownfield lines) of Abengoa to the American investment fund Texas Pacific Group (TPG).

Along with the sale of assets, we continue to make progress in our plan to reduce overheads to optimise all the company's resources. In 2017, we have managed to reduce our overheads by more than 40% year-on-year. We are therefore convinced that, if we follow the path established in our feasibility plan, Abengoa will once again be a benchmark in its sector. In the same way as we are adapting the business to the company's new reality, we are also introducing the adaptation to the new organisational structure. This initiative is being carried out on the basis of seeking consensus among all those involved, as well as management efficiency.

During 2017 Abengoa reached a restructuring agreement with its creditors in Brazil, which is judicially approved. From this milestone the process of implementing the new business plan has also begun in that country. Coupled with this is the approval of our agreement with creditors at Abengoa Mexico in the first weeks of 2018.

Therefore, once we have taken stock of our 2017 performance, one of the core objectives for next year will be to ensure impeccable, innovative and efficient execution in each of our projects, as well as to achieve the highest standards of satisfaction in our actions. I particularly wish to point out that in 2018 we hope to conclude the construction of the

A3T cogeneration plant in Mexico, another key element of our restructuring programme approved in 2016.

We will simultaneously be focused on complying with the remainder of our divestment programme and persevering in the reduction of our overheads in order to return to a path of sustainable and growing cash generation. To this end, one of our core objectives is to maintain a firm move towards higher contracting levels, as we close the projects and activities we are currently developing, in line with our feasibility plan.

Our focus on those key markets in countries where we operate is proving successful and in the short term there is a positive trend in terms of new business. Our presence in Latin America, the Middle East, North Africa and certain European countries is generating plenty of activity for us. We also harbour great hopes for the reactivation of other markets where we are achieving a major presence and reputation, the South African market being a case in point.

As regards our activity in the traditional fields, energy, water, transmission and infrastructures, as well as the associated O&M services, we have made great progress in regaining visibility, presence and repositioning ourselves with clients with whom, in many cases, there had already been a close working relationship in the past. We appreciate your renewed confidence in the performance of new projects and actions that reinforce our road map.

I would not want to end this message without first expressing my sincere gratitude to our stakeholders: clients, employees, shareholders, financial creditors and

suppliers, among a great many more, for the trust, patience and commitment placed in our company.

I assure you that it will not be in vain and I encourage you to continue sharing with us all the successes reaped. All in all, Abengoa will continue to work with the conviction that it is progressing in the right direction and with our greatest encouragement.

102-10, 102-14, 102-15

Note 2 Figures at the close of 2017.