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Innovative Technology Solutions for Sustainability

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## Industrial Viability Plan

February 16, 2016

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# Disclaimer 1/2

## Interim Update on "5Bis Viability Plan" Abengoa Group

February 16th, 2016

This document contains forward-looking statements (within the meaning of the U.S. Private Securities Litigation Reform Act of 1995) and information relating to Abengoa, S.A. ("Abengoa", "ABG" or the "Company") that are based on the beliefs of its management as well as assumptions made and information currently available to Abengoa. Forward-looking statements are generally identifiable by the use of the words "may", "will", "should", "plan", "expect", "anticipate", "estimate", "believe", "intend", "project", "goal" or "target" or the negative of these words or other variations on these words or comparable terminology and include the statements above with respect to (i) the Company's operating cash needs and potential revised business plan and (ii) the interim update on the Company's "5Bis Viability Plan" set out in this document. In particular, the document contains financial plans and projections for various future periods and as of future dates. Such statements reflect the current views of Abengoa with respect to future events and are subject to risks, uncertainties and assumptions about Abengoa and its subsidiaries and investments, including, among other things, the development of Abengoa' s business, trends in its operating industry, and future capital expenditures and cash flows. In light of these risks, uncertainties and assumptions, the events or circumstances referred to in the forward-looking statements may not occur. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in this document.

Many factors could cause the actual results, performance or achievements of Abengoa to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others:

The "Key Risks" set out on page [14] of this document;

•Abengoa' s substantial short- and medium-term liquidity requirements;
•Abengoa' s inability to complete its enhanced asset disposal plan by the end of 2016;
•Abengoa' s inability to realize the anticipated strategic and financial benefits from its joint venture with EIG;
•Abengoa' s substantial indebtedness;
•Abengoa' s ability to generate cash to service its indebtedness;
•changes in general economic, political, governmental and business conditions globally and in the countries in which Abengoa does business;
•changes in interest rates;
•changes in inflation rates;
•changes in prices;
•decreases in government expenditure budgets and reductions in government subsidies;
•changes to national and international laws and policies that support renewable energy sources;
•inability to improve competitiveness of Abengoa' s renewable energy services and products;
•decline in public acceptance of renewable energy sources;
•legal challenges to regulations, subsidies and incentives that support renewable energy sources;
•extensive governmental regulation in a number of different jurisdictions, including stringent environmental regulation;
•Abengoa' s substantial capital expenditure and research and development requirements;
•management of exposure to credit, interest rate, exchange rate and commodity price risks;
•the termination or revocation of Abengoa' s operations conducted pursuant to concessions;
•reliance on third-party contractors and suppliers;
•acquisitions or investments in joint ventures with third parties;
•unexpected adjustments and cancellations of Abengoa' s backlog of unfilled orders;
•inability to obtain new sites and expand existing ones;
•failure to maintain safe work environments;
•effects of catastrophes, natural disasters, adverse weather conditions, unexpected geological or other physical conditions, or criminal or terrorist acts at one or more of Abengoa' s plants;
•insufficient insurance coverage and increases in insurance cost;
•loss of senior management and key personnel; unauthorized use of Abengoa' s intellectual property and claims of infringement by Abengoa of others intellectual property;
•changes in business strategy; and
•possible cancellation of some project finance due to the current situation of Abengoa
•execution of some guarantees related to the cancellation of some projects
•timely completion of certain non core assets disposals
•various other factors indicated in the "Risk Factors" section of Abengoa' s Annual Report on Form 20-F for the fiscal year 2014 filed with the Securities and Exchange Commission on February 23, 2015.

The risk factors and other key factors that Abengoa has indicated in its past and future filings and reports, including those with the U.S. Securities and Exchange Commission, could adversely affect Abengoa' s business and financial performance. Abengoa undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, new events or any other type of development.

# Disclaimer 2/2

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# Old Abengoa

# Market Leadership But With Ongoing Cash Needs

**Old Abengoa**

- Abengoa is amongst the **market leaders in clean energy EPC** (Engineering, Procurement and Construction) **thanks to its proprietary technologies**. It has been consistently ranked in the top positions in the international market league tables [(1)] in the core products / technologies (cogeneration, solar, T&D lines, water desalination)
- **Despite** the significant impact of past regulatory changes (mainly in the bioenergy and solar businesses) and **shifting market conditions in key countries**, Abengoa has **performed well from an operating income and EBITDA perspective**
- However, Abengoa's business model has been capital intensive with the subsequent impact on leverage and cash consumption **at consolidated level**

| €M | 2012 | 2013 | 2014 | Q1-Q3 2015 |
|---|---|---|---|---|
| **Revenues** | **6,312** | **7,245** | **7,150** | **4,872** |
| **EBITDA** | **948** | **1,267** | **1,408** | **891** |
| EBITDA margin | 15% | 17% | 20% | 18% |
| YoY EBITDA variation | n.a. | 319 | 141 | n.a. |
| **Net Fixed assets** | **10,775** | **12,030** | **9,044** | **6,271** |
| **WC *** | **(3,257)** | **(3,313)** | **(3,103)** | **(2,697)** |
| **Gross debt** | **(10,204)** | **(11,975)** | **(10,283)** | **(8,904)** |
| Corporate | (4,947) | (5,654) | (5,325) | (5,828) |
| Project | (5,257) | (6,321) | (4,958) | (3,076) |
| YoY Gross Debt variation | n.a. | (1,771) | 1,692 | 1,379 |
| **Gross Debt/EBITDA** | **10.7x** | **9.4x** | **7.3x** | **9.9x** |

*Source: Annual Reports, Earnings Presentations*

** Clients and other receivables +inventories – trade payables and other current liabilities*
*(1)* ENR The Global Sourcebook .

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# New Abengoa

# Key elements of a cash-generating business model already defined. Financial restructuring including new money immediate needs to be discussed/negotiated shortly

## Business Approach

- E&C focus
- Leverage on technology and project development
- Less cash intensive

## Industrial Viability Plan (1)

- Valuation & New financing needs
- Viability Plan Cash Flow Sources & Uses
- Sensitivity Analysis

## Financial Restructuring (2)

- To follow in the coming weeks






(1) Abengoa has engaged Alvarez & Marsal to advise on the development of the Industrial Viability Plan.

(2) Abengoa has engaged Lazard to advise on the development of the Financial Restructuring Plan.

# The value of New Abengoa in operation represents approximately 7.0 times its liquidation value

1. The Company, together with Alvarez & Marsal, has developed three different operational scenarios and compared them with a tentative liquidation option

2. The selected scenario (with an estimated value of approximately 7.0 times the preliminary liquidation value) includes:

    - Completing most of the projects in the existing portfolio focusing on those that maximize value while minimizing cash requirements
    - E&C activities for third parties (turnkey projects)
    - Balanced proportion of concession-type projects depending on the availability of financial resources and prior identification of robust partners
    - Overhead resizing based on the projected production volumes
    - Non-core asset disposals
    - Continue supplier compromise actions
    - Other restructuring actions and focus on cash efficiency

3. This option provides the greatest value potential for all the stakeholders

## New Business Model: Building Blocks – The A&M Methodology (1)

# Continuing E&C activity for turnkey, balanced with concession-type projects

**Current Backlog (E&C for Turnkey & Concession-type projects)**

- **Thorough analysis of cash-flows** of current backlog:
  - Covering 200 projects in excess of €2.5M of the estimated backlog of €8,600M as of December 31, 2015 (approx. 90% of existing backlog)
  - Focus on projects that maximise value while minimising cash requirements
  - Incorporate equity partners into some of the projects and dispose of non-core assets, while retaining the EPC and embedded technology businesses

**New Turnkey Projects**

- Order intake **estimated based on existing order pipeline**:
  - 2016: sharp drop 2017: € 1,750M 2018: € 2,000M 2020: € 2,500M(2)

**New Concession-type Projects**

- **Material reduction** of order intake due to probable shortage of available financing:
  - 2016: € 500M 2017: € 1,700M 2018: € 1,800M 2020: € 2,100M(3)
  - **Equity participation**:
    - **Debt/Equity** assumed **70/30** with **Company retaining one third of that Equity** and balance owned by strategic partner(s)
    - **To be disposed by end of year 4 for each project,** assuming conservatively no equity return

**Others**

- **Disposal of certain non-core businesses and other projects earmarked** expected to be completed by Q4 2016 (hence, not included in New Abengoa)
- **Adjustments in overheads**
- Continue the **development of technology**

*Expected margins of new projects (turnkey and concession-type ) range between 8.75% and 14%.*

*(1) See appendix for description of the Alvarez & Marsal methodology.(2) assuming 10% growth p.a. after 2018. (3) assuming 7% growth p.a. after 2018.*

# New Abengoa Enterprise Value estimated at € 5,395M

| Net asset Recovery Value (M€) | |
|---|---|
| NPV current Backlog (@ 10.9% WACC) | 2,779 |
| Project Debt | (198) |
| **Current Backlog Value** | **2,581** |
| **Non core disposal** | **473** |
| Ebitda New Business 2020 | **274** |
| Multiple | **7.0x** |
| **New Business Value Ebitda x** | **1,917** |
| **One-offs & others assets** | **424** |
| **EV before project debt** | **5,593** |
| **EV after project debt** | **5,395** |

## 1 Asset Value

- Total Viability Plan **New Abengoa net value is estimated at € 5,395M**
- New Abengoa current market comparable command a 7.0x EBITDA multiple; however, in order to use a normalized EBITDA 2020 value, a conservative contingency of € 100M has been included

## 2 Additional Risk & Opportunities

- The outlined plan entails possible risks and value enhancing opportunities.

*(1) See appendix for description of the Alvarez & Marsal methodology.*

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## Company intends to take key actions to protect cash / reduce cash outflows

- **Non-core asset disposals:** Expected positive impact of € 473M in 2016-2017

- **Exit** (subject to reasonable exit costs) **projects with higher cash requirements**: expected reduction in cash needs of € 2,095M in 2016-2017

- **Adjust cost base**: reduced from € 450M in 2015 (normalized) to € 246M in 2018

## Over the next 5 years, New Abengoa is expected to generate ~€ 700M of cash flow by 2020, o/w ~€ 500 M from operations

- **Total Cash Needs** post Contingency & Non-Core Disposal amounts to **€ 826M and € 304M in 2016 and 2017,** respectively

- **Additional technical guarantees needed in 2016** for a prompt restart of the order intake amount to **€ 525M**

# The outlined plan entails possible opportunities and risks detailed below

**There are certain opportunities related to suppliers and project debt closings which Abengoa is actively pursuing in order to maximize recoveries**

- **In terms of cash**, main opportunities come from:
  1. Ability of the company **to close project/non-recourse debt financing** on certain key projects that would potentially reduce short term total cash needs **by ~€ 1,700M over the next two years.**
  2. **Further negotiations** with **suppliers** and **local financial institutions**
  3. **Further assets disposals** if appropriate/possible
- **Improvement of ABG's risk profile and lower expected market risk** would reduce the applicable discount rates (WACC) from its current average 10.9% (a 50bps reduction in WACC would yield approximately additional € 200M of value)
- **Improvements in future equity ownership profitability** due to rotation to yield companies

# The outlined plan entails possible opportunities and risks detailed below

**Against this, there are risks related to the current situation and timely solution thereof; namely:**

- Some **exit costs may be higher** than what Abengoa is forecasting
- **Lack of immediate availability of the new financing may result in** certain **assets being foreclosed, project construction delayed** with potential **cost overruns** as well as with risk of project **terminations** (including those with existing project financing) and execution of related guarantees
- Lack of immediate availability of new financing may also **impair Abengoa capacity to reduce operating leverage and improve trade terms**
- **Lack of quick resolution of the current 5-bis** (pre-concurso) situation may **reduce investors' interest in acquiring certain non-core assets** up for disposal and therefore impair Abengoa ability to timely close such disposals
- **Lack of immediate availability of new bonding/guarantee lines** may **prevent** Abengoa to **secure new projects** for the future backlog

# Approved directives to ensure concession-type projects do not jeopardize long-term financing structure

- **Avoid undertaking excessive equity and financial risks** in the development phase until financial closure is achieved
- **Focus on fewer geographies and product lines** where New Abengoa enjoys strong track-record and true technological competitive advantages
  - decision to discontinue some activities/projects in certain geographies, either through straight sales or through agreements with local players. To be executed minimizing exit costs
- **Reinforcement of the existing financial controls** on each project/development cash-flows as well as at corporate level with predetermined exposure thresholds, conservative "stop-loss processes"

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**Assume balanced concession-type project activity post-restructuring with robust partners involvement from projects inception**

# A strong New Abengoa focused on E&C and technology poised to achieve a balanced financial position

## Estimated valuation on a going-concern significantly larger than a liquidation scenario

## New Abengoa Focus

- **Focus on E&C for turnkey, or concession-type projects that maximise value while minimizing cash needs**
- **Implement new policy to balance the execution of concession-type projects**
- **Decided to expedite asset disposals**
- **Reinforced financial discipline**
- **Resizing of Cost Structure**
- **Reinforced financial and cash discipline**

## Business expected to generate approximately € 1,000M cash from 2017-2020

- **Estimated cash needs of € 826M in 2016** to revamp business activity post restructuring and complete selected profitable projects under construction

## Financial structure to support operations of New Abengoa to be discussed/negotiated

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# Appendix

## Valuation Sensitivity

NPV (€ M)

| EPC and PI Value EBITDAx | Multiple | 3,726 | 3,458 | 3,213 | 2,987 | **2,779** | 2,587 | **2,409** | 2,245 | **2,093** |
|---|---|---|---|---|---|---|---|---|---|---|
| | WACC | -200bps | -150bps | -100bps | -50bps | **0bps** | 50bps | **100bps** | 150bps | 200bps |
| **1,643** | 6.00x | 6,069 | 5,801 | 5,556 | 5,330 | **5,122** | 4,930 | **4,752** | 4,588 | 4,436 |
| 1,712 | 6.25x | 6,138 | 5,870 | 5,624 | 5,398 | 5,190 | 4,998 | 4,821 | 4,656 | 4,504 |
| 1,780 | 6.50x | 6,206 | 5,938 | 5,693 | 5,467 | 5,259 | 5,067 | 4,889 | 4,725 | 4,573 |
| 1,848 | 6.75x | 6,275 | 6,007 | 5,761 | 5,535 | 5,327 | 5,135 | 4,958 | 4,793 | 4,641 |
| **1,917** | 7.00x | 6,343 | 6,075 | 5,830 | 5,604 | **5,395** | 5,203 | 5,026 | 4,862 | 4,710 |
| 1,985 | 7.25x | 6,411 | 6,144 | 5,898 | 5,672 | 5,464 | 5,272 | 5,095 | 4,930 | 4,778 |
| 2,054 | 7.50x | 6,480 | 6,212 | 5,966 | 5,741 | 5,532 | 5,340 | 5,163 | 4,999 | 4,847 |
| 2,122 | 7.75x | 6,548 | 6,281 | 6,035 | 5,809 | 5,601 | 5,409 | 5,231 | 5,067 | 4,915 |
| 2,191 | 8.00x | 6,617 | 6,349 | 6,103 | 5,877 | 5,669 | 5,477 | 5,300 | 5,136 | 4,984 |
| 2,259 | 8.25x | 6,685 | 6,418 | 6,172 | 5,946 | 5,738 | 5,546 | 5,368 | 5,204 | 5,052 |

- WACC: Changes of 50bps in WACC used for project cash flows discounts yields a change in Existing Portfolio NPVs of approx. € 200M
- EBITDA: each 0.25x change of multiples (relevant only for NEW Business valuation) yields a change of approx. € 50M in total valuation

- **Multiples**: On the basis of the current market situation and ABG's strong competitive advantage, which in normal circumstances would command a premium with respect to market peers, we have decided to use the average market comparable multiple of 6.5x notwithstanding the reference EBITDA is a future and not an historical EBITDA
- **WACC:** the discount rates have been adjusted to account for market (political) risk, whether a long term offtake agreement is in place. On average, the WACC used for project cash flows discounts is 10.9%

## Methodology for the preparation of the Viability Plan

- **The Preliminary "Top Down" Industrial Viability Plan** ("Top Down Plan") has been drafted by Abengoa based on:

  a) A preliminary review of specific entities/ projects (A&M has not performed detailed documentary Due Diligence)

  b) A review of the existing project pipeline has been undertaken and the new E&C and Concession future backlog elaborated

  c) Most recent information and thinking with respect to asset disposals

  d) The most recent information with respect to financial debt and

  e) Certain high level business forward looking assumptions given the very compressed timetable

- The Top Down, Plan has been developed at a Group level without a specific breakdown into legal entities given the very compressed timetable. Legal entities breakdown required by 5-bis legal framework will be developed once the overall Top Down Plan key aspects will be agreed among parties

- 200 projects, each above € 2.5M, covering approximately 90% of Abengoa's € 8.6B backlog as of December 31, 2015 has been analyzed and assume a total expected projected net cash flow of € 32.4B ("Key Projects" or "Units")

- For each of the Units, data gathering and fact finding has been centrally performed along with the participation of certain local management in order to ensure that Abengoa could provide a view on risks, opportunities and key issues. **Projects are "live" units and therefore each project analysis should be updated over time. Each Unit has been categorized in the following manner:**

  – Profitable and future cash flow positive

  – Profitable but future cash flow negative

  – Unprofitable but future cash flow positive

  – Unprofitable and future cash flow negative

- We then overplayed strategic considerations, its ability to generate recurrent cash flows, and debt implications / sustainability considerations

- **Each business line has been reviewed both by region and as a operating Division of the Group** at a very high level with the head of the business

- Based on the above high level review, assumptions were made with **respect to future operational footprint, future margins, back office and service companies right sizing, etc. in order to arrive to a Preliminary Top Down Industrial Viability** Plan. **More detailed work will have to be performed prior to finalizing an executable Viability Plan including the Financial Restructuring Component**

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Thank you