



# 03 Consolidated management report



# 2014 Consolidated management report

## 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 2014 comprised the following:

- > The holding parent company itself.
- > 607 subsidiaries.
- > 17 associates and 28 joint businesses as well as certain companies of the Group being involved in 244 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:

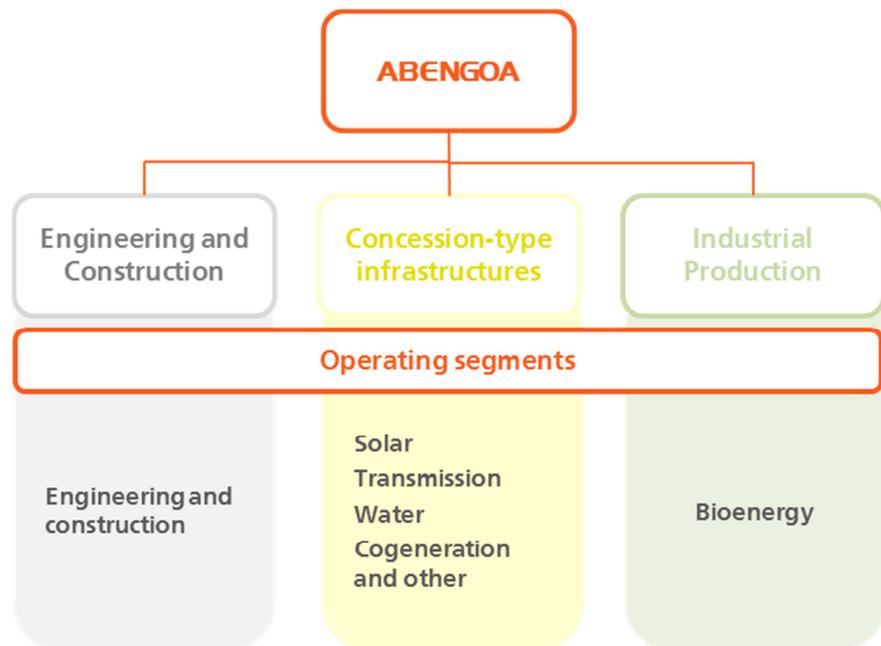
- > Engineering and construction: includes our traditional engineering activities in the energy and water sectors, with more than 70 years of experience in the market. Abengoa is specialized in carrying out complex turnkey projects for thermo-solar plants, solar-gas hybrid plants, conventional generation plants, biofuels plants and water infrastructures, as well as large-scale desalination plants and transmission lines, among others.
- > 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 high technological component, such as development of biofuels technology. 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 investments in assets are held at project companies which are financed through project debt. 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.

The process to allocate resources by the CODM takes place prior to the award of a new project. Prior to presenting a bid, the company must ensure that the project debt for the new project has been obtained. These efforts are taken on a project by project basis. Once the project has been awarded, its evolution is monitored at a lower level and the CODM receives periodic information (revenues and EBITDA) on each operating segment's performance.

### 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 six operating segments:

- › Engineering and construction; includes our traditional engineering business in the energy and water sectors, with more than 70 years of experience in the market. Since the beginning of 2014, this activity comprises one operating segment Engineering and Construction (previously, the operating segment of Technology and Other was also included in the operating segment of Engineering and Construction, in accordance with IFRS8 ‘Operating Segment’).

Abengoa specializes 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. In addition, this segment includes 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 or power purchase agreements. This activity includes the operating segment of Abengoa Yield (ABY), the operation of electric (solar, cogeneration or wind) energy generation plants, desalination plants and transmission lines. These assets generate low demand risk and we focus on operating them as efficiently as possible.

During June 2014, the Company listed one of its subsidiaries, Abengoa Yield Plc. in the US (ABY). ABY groups ten assets previously reported in different operating segments within the Concession-type infrastructures activity. As such, ABY became a new operating segment within the activity of Concessions from its IPO and so it has been reported at the quarterly financial information.

At the end of 2014 the operating segment Abengoa Yield was considered as discontinued operations (see Note 7). As a result, the Concession-type infrastructures activity again comprises four operating segment as it was reported until the first half of 2014:

- › Solar – Operation and maintenance of solar energy plants, mainly using thermo-solar technology.
- › 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 high technological component, such as development of biofuels technology. The company holds an important leadership position in these activities in the geographical markets in which it operates.

This activity is comprised of one operating segment:

- › Biofuels - Production and development of biofuels, mainly bioethanol for transport, which uses cellulosic plant fiber 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 eighth consecutive year by the prestigious magazine Engineering News-Record (ENR) as the leading 'International contractor in transmission and distribution' in 2014. Moreover, we have been also recognized as the top international contractor for solar energy for the fourth consecutive year and we ranked second position in both the cogeneration power sector and the water treatment and desalination sector.
- › In the field of solar power, Abengoa is an international leader for solar-thermal plants, with innovative projects such as Atacama-1, which has 18 hours of energy storage and will be the first solar-thermal plant in Latin America; Solana, in the USA, which is the world's largest parabolic-trough plant; or Khi Solar One in South Africa, which will be the first plant to use tower technology in Africa. The company has a global capacity of 2,200 MW with a further 300 MW under construction in solar plants around the world.
- › 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.

Abengoa has also been recognized internationally for its achievements in the water desalination sector, winning awards such as "Company of the Year 2012 in the desalination sector", "Desalination Project of the Year 2010" or "Company of the Year 2009 in the desalination sector" in the Global Water Awards presented by Global Water Intelligence (GWI) to our desalination plant in Nungua (Ghana); our water desalination project in Qingdao (China); and the desalination plant projects in Tenes, Honaine and Skikda in Algeria, respectively.

These desalination plants have been developed using the latest advances in desalination technology based on reverse osmosis and the BOT model. According to a report by Bluefield Research, Abengoa's success in

these types of projects between 2009 and 2013 ranks it as the world's leading privately-owned company, in terms of ownership of desalination plants (by installed capacity).

Furthermore, Abengoa recently rose to second place in the ranking of water treatment and desalination contractors, by the magazine Engineering News-Record. Our business therefore continues to grow in the sector for constructing and managing water and sanitation infrastructures for municipal and industrial clients. For example, in the municipal sector in 2014 Abengoa was awarded the drinking water supply project for the City of San Antonio (Texas, USA) under a BOT format; the smart network project for drinking water distribution and sewerage for the city of Denizli in Turkey, as well as being awarded the Agadir desalination plant in Morocco, for which it has also completed the financing. In the industrial sector, it was awarded the water supply contract for the AES Gener power plant in Chile and the water treatment plants for a combined cycle plant in Carty (Oregon, USA).

Abengoa continues to expand its presence in the environment sector through these activities, producing, treating and regenerating water for a more sustainable world.

## 2.- Evolution and business results

### 2.1. Financial situation

#### a) Plan to further optimize Abengoa Financial Structure

On December 15, 2014, Abengoa's Board of Directors approved a plan to further improve its financial structure through three main initiatives:

- › Reduce its stake in Abengoa Yield
- › Accelerate the sale of assets to Abengoa Yield
- › The creation of a joint venture with external equity partners that will invest in a portfolio of contracted assets under construction as well as in new contracted assets under development.

The impacts of these initiatives and their main effects in relation to the reclassification to heading 'Assets held for sale and discontinued operations' as of December 31, 2014 are described below.

#### Reduce its stake in Abengoa Yield

The plan to reduce the stake in Abengoa Yield was initiated at year end 2014 with the approval of the Abengoa's Board of Directors and is expected to be completed within one year, through the completion of following steps:

- › An initial stage to divest a 13% stake ended on January 16, 2015, via the sale in an underwritten public offering of 10,580,000 ordinary shares in Abengoa Yield (including 1,380,000 shares sold pursuant to the exercise in full of the underwriters' over-allotment option) at a price of USD31 per share, bringing the holding in Abengoa Yield to 51%. This sale generated USD 328 million for Abengoa, before fees.
- › The second step will consist of the divestment of an additional shareholding in Abengoa Yield and the strengthening of the Right Of First Offer (ROFO) agreement between the two companies, as well as a review of the corporate governance of Abengoa Yield to reinforce the role of the independent directors so that control is effectively transferred when the second sale takes place.

Taking into account that Abengoa Yield was presented as an operating segment within the Concession-Type Infrastructures activity during part of the year 2014 and due to the significance that the activities carried out by Abengoa Yield have for Abengoa, the sale of this shareholding is considered as a discontinued operation in accordance with the stipulations and requirements of IFRS 5, 'Non-Current Assets Held for Sale and Discontinued Operations'.

In accordance with this standard, the results of Abengoa Yield for the year 2014 are included under a single heading in Abengoa's Consolidated Financial Statements for the year ended December 31, 2014.

Likewise, the Consolidated Income Statement for the year, 2013, which is included for comparison purposes in Abengoa's Consolidated Financial Statements for the year ended December 31, 2014 also includes the results generated by Abengoa Yield recorded under a single heading ('Profit (loss) from discontinued operations, net of tax'), for the activities which are now considered discontinued.

#### Accelerate the sale of assets to Abengoa Yield

The plan to accelerate the sale of assets to Abengoa Yield under the Right of First Offer (ROFO) agreement was launched at the start of 2014 with the approval of Abengoa's board of directors, with the aim of divesting certain concession project companies that own desalination plants in Algeria (Skikda and Honnaine), transmission lines in Peru (ATN2) and an STE plant in Abu Dhabi (Shams). Given that as of December 31, 2014, the previous companies are available for immediate sale and the sale is highly probable, the Company has classified the associated assets and liabilities as held for sale in the Consolidated Statement of Financial Position as of December 31, 2014. Until closing of the sale transaction, the assets will be classified as held for sale in accordance with the stipulations and requirements of IFRS 5, 'Non-Current Assets Held for Sale and Discontinued Operations'.

A definitive agreement was reached with Abengoa Yield on February 9, 2015 for a total of USD142 million following approval by Abengoa's board of directors. It includes the divestment of the aforementioned assets (classified as assets held for sale at the end of 2014) and 30% of the stake held in Helioenergy 1 and 2 (a thermo-solar assets in Spain) at the end of the year. Since the agreement to divest Helioenergy 1 and 2 was performed during January 2015, such assets have not been classified as assets held for sale. Related to desalination plants in Argeria, we also entered into a two year call and put option agreement with Abengoa Yield by which they have put option rights to require Abengoa to purchase back these assets at the same price paid by them and Abengoa has call option rights to require them to sell back these assets if certain indemnities and guarantees provided by Abengoa related to past circumstances reach a certain threshold.

#### The creation of a joint venture with external equity partners that will invest in a portfolio of contracted assets under construction and development.

On December 11, 2014, the company reached a non-binding agreement with the infrastructure fund EIG Global Energy Partners to jointly invest in a new company (Newco) to which Abengoa will contribute its shareholdings in a series of companies. These project companies own concessions for conventional generation and renewable energy assets and transmission lines in different regions, including the USA, Mexico, Brazil and Chile. The new company will be jointly managed, although EIG will hold a majority stake in the new company. Once the agreement has been completed and the projects have been transferred to Newco, Abengoa will no longer have a controlling interest in these assets. Given that as of December 31, 2014, the companies associated with previous projects are available for immediate sale and the sale is highly probable, the Company has classified the associated assets and liabilities as held for sale in the Consolidated Statement of Financial Position as of December 31, 2014. 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 €7,151 million, a decrease of 1% compared to 2013.

- > Ebitda of €1,408 million, an increase of 11% compared to 2013.

	Balance as of 31.12.14	Balance as of 31.12.13	Var (%)
<b>Income Statement</b>			
Revenue	7,151	7,245	(1)%
EBITDA	1,408	1,267	11%
EBITDA Margin	20%	17%	13%
Net Income	125	101	24%
<b>Balance Sheet</b>			
Total Assets	25,247	21,153	19%
Equity	2,646	1,893	40%
Corporate Net Debt	2,353	2,124	11%
<b>Share Information</b>			
Last price (€ per B share)	1.83	2.18	(16)%
Capitalization (A+B share) (€ million)	1,563	1,817	(14)%
Daily trading volume (€ million)	46	9	421%

#### Operating Data

- > 88% of our revenues from international markets outside of Spain.
- > North America (USA and Mexico) became the first country in revenues with 32% of total revenues.
- > Engineering and Construction backlog up to €7,953 million, as of December 31, 2014.

Key operational	2014	2013
Transmission lines (km)	5,143	2,660
Water Desalination (Cap. ML/day)	815	660
Cogeneration (GWh)	743	693
Solar Power Assets (MW)	1,503	1,223
Biofuels Production (ML/year)	3,175	3,175

#### c) Consolidated income statement

	Balance as of 12.31.14	Balance as of 12.31.13	Var (%)
Revenues	7,151	7,245	(1)%
Operating expenses	(5,743)	(5,978)	(4)%
Depreciation and amortization	(475)	(516)	(8)%
I. Net Operating Profit	933	751	24%
II. Net Finance Cost	(855)	(639)	34%
III. Share of (loss)/(profit) of associates	7	(5)	(236)%
IV. Profit Before Income Tax	85	107	(20)%
V. Income tax expense	59	26	124%
VI. Profit for the year from continuing operations	144	133	8%
Profit (loss) from discontinued operations, net of tax	(22)	(23)	(2)%
Profit for the year	122	110	10%
VII. Non-controlling interests	3	(9)	(138)%
<b>Net income attributable to the parent company</b>	<b>125</b>	<b>101</b>	<b>24%</b>

#### Revenues

Abengoa's consolidated revenues in the year 2014 have reached €7,151 million, representing a 1.3% decrease from the previous year. The decrease is mainly due to the revenue increase in Engineering and Construction, where we can highlight the construction of co-generation plants in Mexico, the transmission lines in Brazil and the Atacama thermo-solar plants in Chile. This decrease was partially offset by an increase in our Concessions-Type Infrastructure and Industrial Production activities in 2014 compared to 2013.

#### Ebitda

Ebitda for the year ended December 31, 2014 reached €1,408 million, an 11% increase from the previous year. This increase was mainly due to the contribution of new concessions assets in operation (attributable to the solar plants in Spain that entered into operation in the fourth quarter of 2013 -Solaben 1 and 6- and to the entry into operation of the Norte Brazil power transmission line), as well as the margin recovery in the Bioenergy business.

#### Net Finance Cost

Net financial expenses increased in €216 million, mainly due to an increase in the financial expenses, a lower interest capitalization due to the entry into operation of new concessions and our new notes issued, and mainly due to the decrease of the negative 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 €59 million in 2014, from €26million 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 8% from €133 million in 2013 to €144 million in 2014.

Profit from discontinued operations, net of tax

As indicated in Note 7.1., the results generated by Abengoa Yield for the years 2014 and 2013 are recorded under the heading 'Profit (loss) from discontinued operations, net of tax'. As well, the sale of Befesa is considered as a discontinued operation in 2013.

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 24% from €101 million achieved in 2013, to €125 million in 2014.

d) Results by activities

The Segment revenues, EBITDA and margins for the years 2014 and 2013 is as follows:

Concepto	Revenue			Ebitda			Margin	
	2014	2013	Var (%)	2014	2013	Var (%)	2014	2013
<b>Engineering and construction</b>								
Engineering and construction	4,515	4,832	(7)%	807	807	0%	18%	17%
<b>Total</b>	<b>4,515</b>	<b>4,832</b>	<b>(7)%</b>	<b>807</b>	<b>807</b>	<b>0%</b>	<b>18%</b>	<b>17%</b>
<b>Concession-type infrastructure</b>								
Solar	335	259	30%	236	157	50%	70%	61%
Water	41	40	2%	26	28	(6)%	65%	70%
Transmission lines	91	47	92%	64	28	132%	70%	58%
Cogeneration and others	32	38	(16)%	4	7	(46)%	12%	19%
<b>Total</b>	<b>499</b>	<b>384</b>	<b>30%</b>	<b>330</b>	<b>220</b>	<b>50%</b>	<b>66%</b>	<b>57%</b>
<b>Industrial production</b>								
Bioenergy	2,137	2,029	5%	271	241	13%	13%	12%
<b>Total</b>	<b>2,137</b>	<b>2,029</b>	<b>5%</b>	<b>271</b>	<b>241</b>	<b>13%</b>	<b>13%</b>	<b>12%</b>
<b>Total</b>	<b>7,151</b>	<b>7,245</b>	<b>(1)%</b>	<b>1,408</b>	<b>1,267</b>	<b>11%</b>	<b>20%</b>	<b>17%</b>

Engineering and Construction

Revenues in Engineering and Construction decreased by 7% compared to the previous year, to €4,515 million (€4,832 million in 2013), while Ebitda was flat amounting to €806 million. The decrease in revenues was mainly driven by:

- > Lower activity of construction resulting from the completion of the Mojave and Solana thermo-solar plants, as well as thermo-solar plants Solaben 1 and Solaben 6 (Spain),
- > Lower construction activity on the Kaxu and Khi thermo-solar plants in South Africa.
- > Lower construction activity on the transmission lines in Brazil and the execution of combined-cycle plants in Poland and Mexico.

This effect was partially offset by:

- > Higher construction activity related to the co-generation plants in Mexico
- > Higher construction activity related to the Atacama thermo-solar plants in Chile.

### Concession-type Infrastructures

Revenues in the Concession-type Infrastructures area increased by 30% compared to the previous year, to €499 million (€384 million in 2013), while Ebitda rose by 50% to €330 million compared to €220 million in 2013. The increase in revenue was primarily attributable to the entry into operation of new assets (attributable to the solar plants in Spain that entered into operation in the fourth quarter of 2013 -Solaben 1 and 6- and to the entry into operation of the Norte Brazil power transmission line) and the strong performance of assets already in operation.

### Industrial Production

Revenues in Bioenergy Business increased by 5% compared to the previous year, to €2,137 million (€2,029 million in 2013), while Ebitda rose by 13% to €271 million compared to €241 million in 2013. The increase was mainly due to an increase in the volume of ethanol sold in Europe and in the United States and an increase in the volume of sugar sold in Brazil.

## e) Consolidated statement of financial position

### Consolidated statements of financial position

A summary of Abengoa's consolidated balance sheet for 2014 and 2013 is given below, with main variations:

	Balance as of 31.12.14	Balance as of 31.12.13	Var (%)
Intangible assets and fixed assets	2,856	2,116	35%
Fixed assets in projects	6,188	9,914	(38)%
Associates under the equity method	311	836	(63)%
Financial investments	686	761	(10)%
Deferred tax assets	1,504	1,281	17%
<b>Non-current assets</b>	<b>11,545</b>	<b>14,908</b>	<b>(23)%</b>
Inventories	295	331	(11)%
Clients and other receivable accounts	2,157	1,870	15%
Financial investments	1,049	926	13%
Cash and cash equivalents	1,811	2,952	(39)%
Assets held for sale	8,390	166	4942%
<b>Current assets</b>	<b>13,702</b>	<b>6,245</b>	<b>119%</b>
<b>Total assets</b>	<b>25,247</b>	<b>21,153</b>	<b>19%</b>

- › Reduction in non-current assets of 23% primarily due to the transfer of all the assets included in the financial structure optimization plan to "Assets held for sale" (see Note 2.1.a). This reduction was

partially offset by the increase in transmission assets under construction in Brazil and control and consolidation of the Hugoton project.

- › Increase in current assets of 119% mainly attributable to the transfer of the aforementioned assets to "Assets held for sale". The unavailability of €500 million relating to Tranche A of the syndicated loan should be taken into account in the lower figure for Cash and cash equivalents.

	Balance as of 31.12.14	Balance as of 31.12.13	Var (%)
Capital and reserves	1,445	1,321	9%
Non-controlling interest	1,201	572	110%
<b>Total Equity</b>	<b>2,646</b>	<b>1,893</b>	<b>40%</b>
Project debt	4,159	5,736	(27)%
Corporate financing	3,749	4,735	(21)%
Grants and other liabilities	213	646	(67)%
Provisions and Contingencies	75	78	(4)%
Derivative financial instruments	225	267	(16)%
Deferred tax liabilities and Personnel liabilities	338	357	(5)%
<b>Total non-current liabilities</b>	<b>8,759</b>	<b>11,819</b>	<b>(25)%</b>
Project debt	799	585	37%
Corporate financing	1,577	919	72%
Trade payables and other current liabilities	5,555	5,515	1%
Current tax liabilities	337	247	37%
Derivative financial instruments	80	44	80%
Provisions for other liabilities and expenses	13	10	34%
Liabilities held for sale	5,481	121	4419%
<b>Total current liabilities</b>	<b>13,842</b>	<b>7,441</b>	<b>85%</b>
<b>Total Shareholders' Equity and Liabilities</b>	<b>25,247</b>	<b>21,153</b>	<b>19%</b>

- › Increase in equity of 40% primarily caused by the positive variation in translation differences due to the appreciation of the US Dollar, capital contributions from minority shareholders in certain projects, the positive result for the period, and the increase in minority shareholders following the IPO of the Abengoa Yield subsidiary, all of which was partially offset by the negative variation in the reserves for derivative instrument hedging.
- › Reduction of 25% in non-current liabilities, mainly due to the transfer of all the liabilities included in the financial structure optimization plan to "Liabilities held for sale" (see Note 2.1.a) as well as a net reduction in corporate financing, mainly attributable to the lower syndicated loan amount; the reclassification of the €300 million note issue maturing in 2015 as short-term and the reclassification of the convertible bond maturing in 2017, for which the "put" option has been exercised in 2015.

- > Net increase in current liabilities of 85%, mainly as a result of the transfer of the aforementioned liabilities to "Liabilities held for sale" and the net increase in corporate financing due to the reclassification of Abengoa's ordinary note maturing in February 2015 and the convertible note maturing in 2017, from long-term to short-term.

#### Net Debt Composition

Concepto	Balance as of 12.31.14	Balance as of 12.31.13	Var (%)
Bank debt and current/non-curr. bond	5,169	5,491	(6)%
L-T and S-T project debt	4,958	6,321	(22)%
Obligat. under curr./non-curr. financial lease	35	40	(13)%
Current financial investments	(1,048)	(926)	13%
Cash and cash equivalents	(1,811)	(2,952)	(39)%
<b>Total net debt (cash)</b>	<b>7,303</b>	<b>7,974</b>	<b>(8)%</b>
Total Ebitda	1,408	1,267	11%
<b>Total net debt (cash) / Total Ebitda</b>	<b>5.2</b>	<b>6.3</b>	<b>(18)%</b>

#### f) Consolidated cash flow statements

A summary of the Consolidated Cash Flow Statements of Abengoa for the years ended December 31, 2014 and 2013 with the main variations per item, are given below:

	2014	2013	Var (%)
<b>Profit for the year from continuing operations</b>	<b>144</b>	<b>133</b>	<b>8%</b>
Non-monetary adjustments	1,039	798	29%
<b>Profit for the year from continuing operations adjusted by non monetary items</b>	<b>1,183</b>	<b>931</b>	<b>26%</b>
<b>Variations in working capital and discontinued operations</b>	<b>(524)</b>	<b>221</b>	<b>(337)%</b>
Income tax paid	9	(12)	(171)%
Interest received/paid	(772)	(509)	52%
Discontinued operations	123	82	51%
<b>A. Net Cash Flows from operating activities</b>	<b>19</b>	<b>712</b>	<b>(98)%</b>
Investments	(2,634)	(1,877)	40%
Disposals	134	513	(74)%
<b>B. Net Cash Flows from investing activities</b>	<b>(2,500)</b>	<b>(1,364)</b>	<b>83%</b>
<b>C. Net Cash Flows from financing activities</b>	<b>1,591</b>	<b>1,197</b>	<b>33%</b>
<b>Net increase/(decrease) of cash and equivalent</b>	<b>(891)</b>	<b>546</b>	<b>(263)%</b>
Cash at beginning of year	2,952	2,413	22%
Translation differences cash or equivalent	31	105	(70)%
Assets held for sale	(22)	-	n.a.
Discontinued operations	(260)	(112)	132%
<b>Cash and cash equivalent at end of year</b>	<b>1,811</b>	<b>2,952</b>	<b>(39)%</b>

- > Net cash flows from operations reached €9 million, mainly achieved by higher profit for the period from continuing operations adjusted by non-monetary items, which was offset by the consumption of working capital and by larger net interest paid.
- > In terms of net cash flows from investing activities €2,500 million, the most significant investments were in the construction of co-generation projects in Mexico, various transmission lines in Brazil and Peru, the thermo-solar and PV plants in Chile and Hospital de Manaus in Brazil.
- > 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, Euro Commercial Paper program and the new project bridge loan obtained by Abengoa Greenbridge through the 2014 Syndicated Loan Facility Agreement) and new non-recourse financing projects (Solar, Transmission Lines, Desalinations and Cogenerations), as well as the Abengoa Yield IPO 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, 2014 and 2013 are as follows:

Concepto	2014	2013	Var (%)
Comsolidates EBITDA (millions)	1,408	1267	11%
EBITDA margin (EBITDA/revenues)	19.69%	17.49%	13%
Operating margin (Operating profit/revenue)	13.05%	10.37%	26%
Profit margin	1.75%	1.40%	25%
Basic earnings per share	0.15	0.17	(12)%
Diluted earnings per share	0.15	0.16	(7)%
Market capitalization (million)	1,563	1,817	(14)%

The key performance indicators for each activity is detailed below for the years 2014 and 2013:

	2014	2013
<b>Engineering and Construction</b>		
Backlog (€ in millions)	7,953	6,796
<b>Concession-Type Infrastructure</b>		
Solar		
MW under development	-	210
MW under construction	780	430
MW in operation	1,503	1223
Total MW	2,283	1,863
Transmisión		
Km of transmission under development	-	367
Km of transmission under construction	6,253	9,373
Km of transmission in operation	5,143	1,631
Total Km	11,396	11,371
Water		
Capacity of desalination in operation (m3/day)	815	660
<b>Industrial Production</b>		
Capacity Biofuels production (MLYr)	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 2014, the percentage of Companies with Environment Management Systems certified according to the ISO 14001 Standard per sales volume is 89.56% (92.92% in 2013).

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

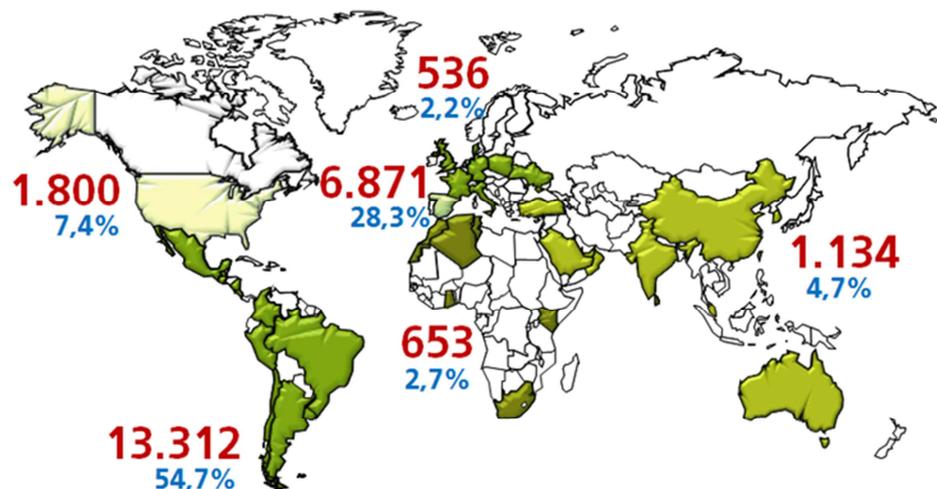
Business unit	ISO 14001-certified companies (% of revenue)
Engineering and Construction	92.35%
Industrial Production	89.53%
Concession-type Infrastructure	66.31%

b) Human resources

During 2014, Abengoa's workforce decreased by 1.8% to 24,322 people of December 31, compared to the previous year (24,763).

Geographical distribution of the workforce

The distribution of the average number of employees was 25 % in Spain and 75 % abroad.



Distribution by professional groups

The average number of employees during 2014 and 2013 was:

Categories	Average number of employees in 2014			Average number of employees in 2013		
	Female	Male	% Total	Female	Male	% Total
Directors	65	503	2.1	73	536	2.3
Management	435	1,517	7.2	426	1,512	7.2
Engineers	1,362	3,375	17.4	1,278	3,268	17.0
Assistants and professionals	1,108	1,480	9.5	1,128	1,507	9.8
Operators	865	15,893	61.6	925	15,648	61.8
Interns	242	336	2.2	230	287	1.9
<b>Total</b>	<b>4,077</b>	<b>23,104</b>	<b>100</b>	<b>4,060</b>	<b>22,758</b>	<b>100</b>

### 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:

- > Project debt (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. Despite having a commitment from a financial institution during the awarding phase of the project and since the financing is usually completed in the latter stages of a construction project –mainly because these projects require a significant amount of technical and legal documentation to be prepared and delivered that is specific to the project (licenses, authorizations, etc.)– bridge loan (Non-recourse project financing) needs to be available at the start of the construction period in order to begin construction activities as soon as possible and to be able to meet the deadlines specified in the concession agreements (see Note 19.2).
- > 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 feasible.

During 2014, Abengoa covered its financing needs through the following financial transactions:

- > The refinancing of its syndicated loans upon Abengoa, S.A. signed a long term revolving financing agreement, as well as new financing transactions in subsidiaries which have the support of export credit agencies.
- > Initial Public Offering of Abenga Yield Plc., in June 2014. This company completed the capital increase for a total amount of €611 million.
- > Financing of certain projects through project debt.
- > Ordinary notes issue for a total amount of €1,000 million.

Abengoa aims to maintain its strong liquidity position, extend the debt maturities of its existing corporate loans and bonds, continue to access the capital markets from time to time, as appropriate, and further diversify its funding sources. The Company aims to continue to raise equity funding at the project company level through partnerships.

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

## 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, 2014 and 2013 (in thousands of Euros):

2014	Total	Up to one year	Between one and three years	Between three and five years	Subsequent
Loans with credit institutions	6,274,113	1,243,596	1,208,884	2,000,368	1,821,265
Notes and bonds	3,852,958	1,096,965	1,029,873	867,288	858,832
Liabilities due to financial leases	34,991	10,927	12,796	3,668	7,600
Other loans and borrowings	121,402	24,373	71,327	21,206	4,496
Obligations under operating Leases	13,826	3,867	5,537	3,035	1,387
Purchase commitments	1,072,848	933,071	123,123	5,517	11,137
Accrued interest estimate during the useful life of loans	2,599,142	589,443	908,675	500,009	601,015

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

b) Investment plan

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

Amounts based on the company's best estimate as of Dec. 31, 2014. Actual investments or timing the roof may change.

Consolidated Concessions Capex	Capacity	Abengoa (%)	Country	Entry in Operation	Total Investment	Pending CAPEX		
						ABG Equity Capex	Partners (incl. EIG initial payment to ABG for CAPEX already invested)	Debt
South Africa 100 MW <sup>1</sup>	100 MW	51%	S. Africa	Q1 15	556	5	5	45
South Africa 50 MW <sup>1</sup>	50 MW	51%	S. Africa	2015	290	5	5	19
Zapotillo Water Project	3,80 m <sup>3</sup> /seg	100%	Mexico	Q4 17	518	109	-	206
Agadir	100,000 m <sup>3</sup> /day	51%	Morocco	Q1 17	85	3	13	64
Ghana	60,000 m <sup>3</sup> /day	56%	Ghana	Q1 15	104	-	-	10
India T&D Line	115 km	51%	India	Q3 17	54	4	4	46
New Brazilian T&D	5786 Km	100%	Brazil	Q1 16-Q3 18	2,876	521	215	1,936
Penitentiary Uruguay	-	100%	Uruguay	Q4 16	126	19	-	107
Hospital Manaus	300 beds	60%	Brazil	Q3 15	162	10	7	25
<b>Sub-total Consolidated Concessions</b>						<b>676</b>	<b>249</b>	<b>2,458</b>
<b>Concessions with minority stakes</b>								
Xina	100 MW	40%	S. Africa	Q3 17	699	41	105	524
Ashalim	110 MW	22%	Israel	Q2 18	814	25	88	701
Atacama I (CSP & PV)	210 MW	45%	Chile	Q2 16-Q2 17	1,751	48	158	1,244
Atacama II (CSP & PV)	210 MW	45%	Chile	Q3 18	1,245	115	182	896
A3T and A4T	840 MW	45%	Mexico	Q1 17-Q1 18	1,825	107	351	1,178
Nicefield	70 MWH	45%	Uruguay	Q3 16	150	15	18	116
Norte 3	924 MW	45%	Mexico	2017	619	49	59	511
SAWS	175,000 m <sup>3</sup> /day	45%	EEUU	Q4 19	674	-	37	607
ATN3	355 km	45%	Peru	Q3 16	151	13	21	71
<b>Sub-total Concessions w/ minority stakes</b>						<b>413</b>	<b>1,019</b>	<b>5,848</b>
						<b>1,089</b>	<b>1,268<sup>(1)</sup></b>	<b>8,306</b>

(1) Partners equity investment of 1,268 ME includes the EIG initial payment to ABG for CAPEX already invested in projects transferred to APW-1

## 4.- Principal risks and uncertainties

### 4.1. Operational risks

#### 4.1.1. Regulatory risk

Risks derived from reductions in government budgets, subsidies and adverse changes in the law that could affect the company's business and development of its current and future projects

The economic instability and difficult economic conditions in Spain have led to lower tax revenues among the company's public administration clients at a time when the budget deficit is rising. These unfavorable conditions affecting government budgets threaten the continuity of public subsidies for activities that benefit the company, especially those related to renewable energy. These conditions may also give rise to adverse changes in legislation.

Furthermore, in the last few years a large part of the revenues generated by the company's water infrastructures division has come from public sector contracts. Many of the public sector institutions that Abengoa works with are municipalities with limited budgets that are susceptible to annual fluctuations and in many cases rely on the collection of municipal taxes or those distributed by central government. Consequently, the funding available to municipalities for these types of projects can suddenly dry up. Moreover, the measures taken to correct the current financial situation in many of these public entities, have increased their budget deficits and there is no certainty that these types of projects will be funded again at the same levels as we have seen to date.

Risks derived from a high degree of dependency on certain regulations, subsidies and tax incentives that could be modified or opposed

The company's industrial activities have a certain degree of reliance on environmental and other types of legislation, including regulations that require reductions in carbon emissions and other greenhouse gases, a minimum biofuels content in fuels and the use of energy from renewable sources, among other constraints.

In some jurisdictions, renewable energy subsidies have been retracted on constitutional grounds (including claims that they represent state aid that is not allowed by the European Union). Similarly, some guarantee programs in the USA have been retracted on the basis that they breach certain federal laws.

Renewable energy production benefits from specific measures and tax incentives in some of the jurisdictions in which the company operates. These measures play an important role in the profitability of these projects. In the future, it is possible that part or all of these measures are cancelled, modified or not renewed.

Risks derived from compliance with strict environmental regulations

The company is subject to environmental regulations that require it to obtain environmental impact studies for future projects or changes to existing projects; licenses and permits; as well as to comply with the conditions

that these impose, among other factors. Consequently, it is impossible to guarantee that the authorities will approve these environmental impact studies or that public opposition will not lead to delays, modifications or cancellations of licenses, or that laws will not be modified or interpreted in a way that increases the costs of the company's operations.

Breaches of these regulations may, in some cases, give rise to significant liabilities with the imposition of fines and even closure of the plant. In general, government authorities are empowered to correct and mitigate the consequences of environmental damages, forcing the entity responsible to assume the cost of these actions.

In Brazil, environmental liability applies to private individuals and legal entities that directly or indirectly cause environmental damage via their actions or negligence. The courts can even 'pierce the corporate veil' in those cases in which a company tries to avoid paying compensation for damages.

Environmental regulations have changed rapidly in recent years and it is possible that there will be more changes in the future, including even stricter requirements. Consequently, the company cannot rule out the need to make additional investments in the future to comply with environmental regulations and such costs are difficult to predict.

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

a) Solar power generation

Renewable energy is rapidly maturing but its cost of generating electricity is still significantly higher than conventional energy production (nuclear, coal, gas, hydroelectric). Governments have established support mechanisms to make renewable generation projects economically viable, in the form of subsidized tariffs (mainly in Spain), supplemented in specific cases with direct support for investment (mainly in the USA). These tariffs vary depending on the technology (wind, photovoltaic, STE, biomass) since they are at different stages of maturity and the regulator wants 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 will diminish or even completely disappear over the long term.

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 their use. Biofuels offer 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.

Nevertheless, despite major support in the biofuels sector from governments and regulatory authorities in the jurisdictions in which Abengoa operates, and the fact that authorities have reiterated their intention to continue this support, it is still possible that certain 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. It is possible for different alternatives that have the potential to progressively substitute fossil fuels in transport to coexist. Future demand for all forms of transport could be covered with a combination of electricity (fuel cells) and biofuels as the main options; synthetic fuels (increasingly produced from renewable sources) as an intermediate solution; and methane as an additional fuel 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 amount of support available to biofuels. Furthermore, the level of public support can be influenced by external factors, such as public criticism in some countries of the alleged effect of biofuels on increasing food prices.

Abengoa's activities are subject to multiple jurisdictions with varying degrees of regulation, which require significant effort by the company to ensure compliance

Abengoa's business is subject to strict regulation in the USA, Mexico, Spain, Peru and Brazil, and in every other country in which it operates. These laws and regulations require licenses, permits and other authorizations in relation to the company's operations. This regulatory framework currently imposes a significant amount of daily limits, costs and risks on the company. In particular, the power plants and transmission lines that we operate in our Concession-type Infrastructures and Industrial Production activities are subject to strict international, national, state and local regulation in terms of their development, construction and operation. A breach of any of these numerous requirements could result in licenses being revoked, fines being imposed or penalties that prevent Abengoa from contracting with various public institutions. Compliance with these regulations, which could give rise to greater exposure to capital market regulations in the future, could result in significant costs for our operations that may not be recoverable.

The company could be affected by breaches of the US Foreign Corrupt Practices Act and similar anticorruption laws around the world

These laws usually prohibit a company and its intermediaries from making improper payments to public officials or other people in order to obtain new business. Abengoa's internal policies comply with these regulations. The company operates in many parts of the world where political corruption exists and, in some circumstances, strict compliance with anticorruption laws is at odds with local customs and practices. The company trains its employees in anticorruption matters and informs its partners, subcontractors, suppliers, agents and other entities that it works with, that they must also comply with anticorruption laws. The company also has internal control mechanisms to ensure compliance with these regulations. However, it is impossible to guarantee that these internal rules and mechanisms will always protect the company from criminal actions carried out by its employees or agents.

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

Revenues obtained from concession-type infrastructure projects are highly dependent on regulated tariffs or, if applicable, long term price agreements. Abengoa has very little flexibility with regards to amending these tariffs or prices when faced with adverse operating situations, such as fluctuations in commodity prices, exchange rates, and labor and subcontractor costs, during the construction and operating phases of these projects. These projects are normally calculated with tariffs or prices that are higher than the operating and maintenance cost. In some cases, if certain pre-established conditions are breached, the government or client may be able to reduce the tariff, depending on the case in question. Similarly, the relevant authorities may unilaterally impose additional tariff restrictions during the life of a concession, subject to the regulatory framework that applies in each jurisdiction. Governments may also postpone tariff increases until a new tariff structure is approved, without compensating operators for lost revenues. Lastly, in certain cases regulatory changes may be made retroactively and expose the company to additional costs and cause financial planning problems.

#### 4.1.2. Operational risk

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

The global economic and financial situation, the 'credit crunch', the sovereign debt crisis, tax deficits and other macroeconomic factors may negatively affect demand from existing or potential clients.

Specifically, the reduction in national infrastructure expenditure is impacting Abengoa's results, since a proportion of its projects are developed by the public sector, generating a volume of revenues for the company that would be difficult to replace with private investment, especially in the current economic environment.

As mentioned, although the economic cycle affects all of the company's businesses, 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 the 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 fluctuations associated with the economic situation. However, it is a capex intensive activity, like the Engineering and Construction activity, and could be affected by difficulties in accessing financing.

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

Abengoa's STE (solar thermal electricity) business operates in a competitive environment. In general, renewable energy competes with conventional energy that is cheaper and more competitive. Renewable energy is currently subsidized in order to bridge the difference in cost and various specific implementation targets have been set.

Consequently, as generation and production costs come down, the level of government support will probably also decrease for many projects, although those that are already operational should continue to benefit from tariffs and incentives. Nevertheless, a gradual but significant reduction in tariffs, premiums and incentives for renewable energy is expected to occur in the medium to long-term.

The company is also facing considerable competition from other renewable energy suppliers. In the solar industry, competition will increase due to new suppliers entering the market as well as the existence of alternative renewable energy sources. 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 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 business depends on the construction of new assets for the Concession-type Infrastructures activity (especially power plants, transmission lines and water infrastructures) and the Industrial Production activity (bioenergy plants).

If Abengoa is unsuccessful in winning new contracts in its Concession-type Infrastructures activity, the revenues and profitability of the Engineering and Construction activity will suffer.

Risks derived from a shift in public opinion about Abengoa's activities

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. Regulations may also restrict the development of renewable energy plants in some regions.

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 will be accepted by the local population. Moreover, in those areas in which 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 it difficult to obtain the corresponding administrative authorizations. 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 planned time frame or for achieving Abengoa's business objectives.

Furthermore, hostile public opinion about the use of grain and sugar cane should not be readily dismissed either (albeit to a lesser extent in bioethanol production) 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 grain and sugar is diverted into food production instead of bioethanol, causing problems for existing production activities and Abengoa's future expansion plans.

#### Internationalization and country risk

Abengoa operates in a series of locations around the world, including Australia, Latin America (including Brazil), China, India, North America, the Middle East and Africa, and it hopes to expand its operations into new locations in the future. The company therefore faces a series of risks associated with operating in different countries, which include but are not limited to risks derived from the need to adapt to the regulatory requirements of different countries; to adapt to changes in the laws and regulations applicable to foreign companies; the uncertainty of judicial processes; the loss or non-renewal of favorable treaties or agreements with local institutions or policies; as well as political, economic and social instability which can result in disproportionate demands being made on the company's managers and employees. It is therefore impossible to guarantee the success of future international operations.

Abengoa also has businesses in various emerging countries around the world. Operations in these countries involve risks that are less common in more developed markets, such as political, economic and social instability, changes to laws and regulations, nationalization or expropriation of private property, payment difficulties, social problems, fluctuations in interest rates and exchange rates, changes to the tax system, the unpredictability of enforcing contractual agreements, currency control measures that limit the repatriation of funds and other restrictions and interventions imposed by public authorities.

Latin American governments frequently intervene in the economies of their respective countries and occasionally make major changes to their regulatory framework. Government action in some Latin American countries to control inflation often involves price controls, currency devaluations, capital controls and import restrictions. Furthermore, in recent months political instability, social unrest and –in some cases– regime changes and armed conflicts have taken place in countries of the Middle East and Africa, including Egypt, Iraq, Syria, Libya and Tunisia, which has increased political and economic instability in some of the Middle Eastern and African countries in which we operate.

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

#### Risks derived from the difficulty of winning new projects or extending existing ones

The company's capacity to maintain its competitive position and achieve its growth objectives largely depends on its ability to update its existing plants and to acquire or lease new plants in strategic locations. The company's capacity to win new plants or expand existing ones is limited by regulatory and geographical considerations. All kinds of governmental restrictions can limit the potential locations for plants. The development, construction and operation of traditional power plants, renewable energy plants, desalination plants, water treatment plants, power transmission lines, as well as other projects that Abengoa carries out,

involve a highly complex process that depends on a large number of variables. The company may be unable to obtain all of the authorizations and licenses required or it may have to agree to stricter conditions in order to obtain them. Public opposition may also delay or even prevent expansions or new projects.

Solar plants, for example, can only be constructed in specific locations with high levels of solar radiation, access to water and suitable geographic characteristics. There are a limited number of suitable locations for these types of facilities and the recent rise in the number of market operators has increased competition for potential sites. Moreover, regardless of the fact that we carry out studies to determine the performance of plants in specific locations, they do not necessarily perform as expected.

#### The development, construction and operation of new projects may be affected by factors commonly associated with those projects

The development, construction and operation of conventional power plants, renewable energy plants, water infrastructure plants, transmission lines and other types of projects can take long periods of time and be extremely complex. When developing and funding a project, government authorizations and sufficient financing must be obtained as well as signing agreements for land use, the design and execution of the project, supplies, etc. Factors that can impact the company's ability to construct new projects include delays in obtaining licenses, shortages or changes in the price of equipment and materials as well as cost overruns, adverse changes in the political and regulatory framework in different jurisdictions, adverse weather conditions and problems obtaining financing under favorable terms, among many others.

#### Risks derived from associations with third parties when executing certain projects

When Abengoa decides to make acquisitions or financial investments to expand or diversify its business, the necessary financing may come from borrowing. It is impossible to guarantee that the company will be capable of completing all or part of the expansion or diversification operations that it carries out in the future. These operations expose the company to risks inherent in integrating an acquired business and its personnel; problems in achieving the expected synergies; difficulties in maintaining uniform standards, controls, procedures and policies; recognition of unforeseen liabilities and costs, and regulatory complications that can arise in these types of operations. Similarly, the terms and conditions of the financing of these operations may restrict the way the business is managed.

Abengoa has made investments in certain projects in collaboration with third parties that include both public institutions and private organizations. In some cases these projects take the form of joint ventures in which the company has only partial or joint control. These types of projects are subject to the risk that the company's partner may block decisions that may be crucial to the success of the project or about investment in the project, and it runs the risk that these third parties may in some way implement strategies that are contrary to Abengoa's economic interests, resulting in a lower return.

#### Operations with third parties expose the company to credit risk

The company is exposed to credit risk derived from a counterparty default. Despite the fact that the company actively manages these risks using non-recourse factoring and credit insurance, these measures may not cover the whole risk.

#### The delivery of products and the provision of services to clients, and compliance with the obligations assumed with these clients, can all be affected by problems related to third-parties and suppliers

In some contracts, the provision of the company's products and services depends on subcontracting them from third parties. Failures or delays by the company's subcontractors could cause Abengoa to breach its obligations with its clients.

#### The unauthorized use of our products by third parties may reduce their value and prevent the company from competing efficiently

The company bases its business on a combination of industrial secrecy and intellectual property laws (which in some countries do not offer sufficient protection), non-disclosure agreements and other types of agreements designed to protect the company's property rights. These measures may be insufficient to protect its technology from third-party breaches and, regardless of the solutions that may be put in place, the company may become less competitive and potentially lose market share.

Similarly, the company is exposed to the risk of claims from third parties for intellectual property infringements.

#### Risks derived from the company's inability to effectively defend itself against third-party claims

Abengoa's projects involve complex engineering, procurement and construction works. The company may encounter difficulties during these processes –some of which will be beyond its control– which could affect its ability to fulfil the contract under the agreed terms and conditions. The company also collaborates with third parties that help it to fulfil these contracts. The company may have to deal with claims against third-parties –and vice versa– in relation to these contracts. These claims may give rise to long and costly legal proceedings if they are not resolved during the negotiation phase.

#### 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

Some of Abengoa's activities are performed under concession agreements with different government entities. They are responsible for regulating the services provided in this way and they have extensive powers to supervise compliance with concession agreements, including demanding technical, financial and administrative information. These government entities can therefore demand compliance with various

requirements that these same entities may change at a later date. A breach of concession agreements or the requirements established by these government entities may result in the concession not being awarded, revoked or not renewed.

##### > Bioenergy distribution agreements

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

##### > Backlog 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, but also includes projects, operations and services for which it does not have firm commitments. Some new project contracts are conditional upon other factors, usually the process of obtaining third party financing.

Abengoa's backlog is the management's estimate of the amount of awarded contracts that are expected to be converted into future revenues. A project for which a contract has been signed will be included in the backlog calculation. A signed contract implies a legally binding agreement, which represents a secure source of revenues in the future. Nevertheless, taking into account the method of calculating the backlog, it is impossible to guarantee that planned revenues in the backlog will ultimately materialize or, if they do, that they will generate a profit. It is not possible to predict with certainty when or if the backlog will materialize, due to project terminations, cancellations and modifications to their scope. It is impossible to guarantee that additional cancellations will not occur. Moreover, even when revenues are expected, it is possible that the client pays late or does not pay at all.

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

In the Engineering and Construction activity, it is important to note that –with few exceptions– all of the agreements that Abengoa has entered into are 'turnkey' construction agreements (also known as EPC agreements). Under the terms of these agreements the client receives a completed facility in exchange for a fixed price. These projects are subject to very long construction periods of 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 can change over the course of the construction period, which can make certain projects unprofitable or even cause significant losses. 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. Delays can result in cost overruns, deadlines being missed or penalty payments to the client, depending on what has been negotiated.

#### Risks derived from lawsuits and other legal proceedings

In the ordinary course of its business, the company is exposed to the risk of legal claims and enforceable demands, as well as all types of regulatory proceedings. The outcomes of these demands and proceedings cannot be accurately predicted.

#### The nature of the Engineering and Construction business exposes the company to potential liability claims

This business involves carrying out operations in which design, construction or systems failures may cause damages to third parties. In addition, the nature of this activity often involves claims from clients and subcontractors for costs incurred above the budgeted amount. These types of claims arise in the ordinary course of the company's business.

#### Risks derived from variations in the cost of energy

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

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 other sources of energy normally include adjustment or hedging mechanisms against a rise in prices, the company cannot guarantee that these mechanisms will cover all of the additional costs that could be incurred from a rise in the price of gas or its other energy inputs (especially in long term agreements signed with clients and in agreements that do not include these adjustment clauses).

#### Risks derived from the exposure of power generation revenues to electricity market prices

In addition to relying on regulatory incentives, revenues from some of Abengoa's projects partially rely on electricity market prices that can be volatile and affected by various factors, including commodities prices, and on the demand and price of greenhouse gas emission rights.

In some of the jurisdictions in which the company operates, it is exposed to remuneration schemes that combine regulatory and market components, in which the regulatory element does not offset fluctuations in market prices, making the overall remuneration highly volatile.

#### Risks derived from a lack of available power transmission capacity, potential increases in transmission network access costs and restrictions in other systems

Power plants need to be connected to the transmission network to be able to deliver the power they generate to the company's clients. A lack of capacity in these transmission systems could limit the size of projects, cause delays in their implementation or increase the cost.

#### 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 their potential effects. Despite Abengoa's attempts to obtain the correct coverage for the main risks associated with each project, it is impossible to guarantee that it is sufficient for every type of potential loss.

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 such events. All of the insurance policies taken out by Abengoa comply with the requirements demanded by the institutions that finance the company's projects and the coverage is verified by independent experts for each project.

Furthermore the insurance policies taken out are reviewed by the insurance companies. If insurance premiums increase in the future and cannot be passed on to the client, 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 these facilities. This could result in lower revenues from the affected site while the problem exists 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.

#### The analysis of whether the IFRIC 12 ruling applies to certain contracts and activities, and determination of the appropriate accounting treatment in the event that it is applicable, involves various complex factors and is influenced by diverse legal and accounting interpretations

The company recognizes some of its concession-type assets as concession arrangements in accordance with IFRIC 12. The analysis of whether IFRIC 12 does or does not apply is influenced by a wide range of legal and accounting interpretations of certain arrangements with public entities. The application of the IFRIC 12 rule requires an in-depth interpretation of the following, among other issues, (i) identification of certain infrastructures and agreements within the scope of IFRIC 12; (ii) an understanding of the nature of the payments in order to classify the infrastructure as a financial asset or an intangible asset; and (iii) the schedule and recognition of income from the construction and concession activity.

The recovery of tax losses depends on obtaining profits in the future, which in turn depends on uncertain estimates

The management assesses the recovery of tax losses on the basis of future profit estimates. These estimates are derived from the forecasts included in the 5 and 10 year strategic plan that is prepared every year and reviewed every two years. According to its current estimates, the company expects to generate sufficient profits to be able to benefit from its tax credits. Nevertheless, income may be affected by circumstances that arise during the ordinary course of its business.

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 the 25% allowable by law (taxes on anhydrous ethanol are lower than those for hydrated ethanol and gasoline). Taxes account for a very significant proportion of the cost of fuel sold in Brazil.

Risks derived from turnover in the senior management team and among key employees or from an inability to hire highly qualified personnel

The company's future success relies on the involvement of the senior management team and key employees, who have extensive experience in every business area. The company's ability to retain these people and attract qualified personnel will affect its capacity to manage its business and expand in the future.

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). At most projects and facilities, the company is responsible for safety and must therefore implement safety procedures. A failure to implement these procedures, or if they are implemented inefficiently, could give rise to injuries and increase the costs of a project.

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 result in all types of civil, criminal and 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 the necessary 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 to comply with these regulations could result in liability for the company. Similarly, Abengoa may be unaware or unable to ensure 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 part of 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 material decreases in earnings have occurred due to failures to comply with safety-related obligations.

Abengoa operates with high levels of debt and could take on additional borrowing

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 the ratio of its net debt over EBITDA, excluding the debt and EBITDA of projects financed under project debt formats, as defined in its main corporate finance agreements. As at December 31, 2014, this ratio was 2.11x with the maximum limit being 2.5x until December 30, 2015.

At the end of 2014 the covenant ratio for Net Debt and corporate EBITDA, according to the clauses of the syndicated loan, was 2.11x. This ratio is obtained by calculating the total liquidity of the companies with project debt; the amount of the reserve account for debt servicing is included as debt; and R&D+i expenses for the period are not included in corporate EBITDA.

In relation to the project 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 degree of leverage (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 project debt is used for most projects, it makes sense to analyze debt on two separate levels (non-recourse and corporate, since the parent company is only liable for corporate debt).

As a result of implementing the new accounting standards in IFRS 10, companies that do not meet the conditions of effective control during the construction phase are excluded from the consolidation scope of Abengoa's financial statements, in accordance with the capital method. However, these projects are expected to be included in the consolidation once they come into operation and control over them is returned, which will mean significant increases in long-term project debt, among other issues.

Notwithstanding the above, a breach of the payment obligations assumed by borrowers (usually the 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 even losses in the event that guarantees provided by project companies under project debt agreements are enforced.

In addition, the current high level of borrowing could increase in the future due to capex investments, fluctuations in operating results and potential acquisitions or joint ventures, among other possibilities. This high level of debt could divert a significant part of the company's operational cash flow in order to repay 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. Similarly, the high level of debt could make it difficult for the company to meet its obligations or refinance its debt; it could increase its vulnerability to downturns in the economy or the sector; restrict its ability to pay dividends on its own shares and its subsidiaries; limit its flexibility to plan and react to changes in the business and the market in which it operates; and put it at a disadvantage in relation to other companies that operate with less debt.

If debt should increase in the future as a result of developing multiple new projects (including the interest payments associated with this), operating cash flow, cash and other resources may be insufficient to cover the company's payment obligations when they fall due or to finance its liquidity needs.

In addition to the current high degree of leverage, the terms of the agreements for issuing debt and other financing agreements that regulate debt issuance, permit 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 termination 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 a payment default.

It should also be remembered that Abengoa could be forced to repay the debt borrowed under financing agreements early 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.

Lastly, the company also depends on short-term credit lines to finance its working capital needs. If these lines are reduced or cancelled in some way, the company would be required to look for alternative sources of financing which could increase its level of borrowing.

#### Risks derived from the need to make significant levels of investment in fixed assets (CAPEX)

The company has to invest significant amounts in fixed assets (CAPEX), which require continuous access to the global capital markets, as well as in R&D+i and major construction projects. The amounts invested in fixed assets (CAPEX) and R&D+i depend on the number and type of projects that will be contracted in the future. The company is committed to make specific investments in fixed assets (CAPEX) in the future, pursuant to concession and other agreements. These investments in fixed assets (CAPEX) and R&D+i will be recovered over a relatively long period of time. The company may also be unable to recover the investments in these projects as a result of delays, cost overruns or timing issues related to the investment recovery schedule.

#### The perception of the market in relation to the instability of the euro, a potential return to national currencies in the Eurozone or the complete disappearance of the euro could affect the company's business

Following the credit crisis in Europe, the European Commission created the European Financial Stability Facility and the European Financial Stabilization Mechanism to provide funds to Eurozone countries experiencing financial difficulties. The measures adopted helped to stabilize the euro between late 2012 and 2014. Nevertheless, the recent market instability in Europe related to sovereign debt could occur again and additional stabilization measures could be necessary in the future.

There is still uncertainty about the debt of certain Eurozone countries and certain regional governments, and the solvency of some financial institutions and their respective capacity to meet their future financial obligations. The difficult market conditions have raised doubts about the stability of the euro and its suitability as a single currency considering the diverse range of economic and political circumstances of its member states. This and other circumstances could lead to a return to national currencies and, in extreme circumstances, the disappearance of the euro. The consequences of this disappearance for holders of euro denominated notes would be defined by laws specifically passed for this purpose.

#### Risks derived from a cut in the company's credit rating

Credit ratings affect the cost and the terms under which the company can obtain financing. Credit rating agencies regularly assess the company and its ratings depend on a series of factors, including the credit rating of the Kingdom of Spain. Any fall in the credit rating of Spain, the group or its non-convertible notes could affect the company's ability to obtain financing under reasonable terms.

#### 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 interest rate movements. Part of its borrowing accrues interest at variable interest rates, normally linked to benchmarks 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 in 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.

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.

#### Risk of obtaining less net profit from asset rotations

Abengoa applies a selective rotation strategy to its concession assets (mainly solar plants, electricity transmission lines, desalination plants 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 in the future as it has to date, since the company's capacity to generate new business opportunities or opportunities with similar returns to those that it currently obtains will depend on market conditions and other factors beyond Abengoa's control.

#### Risks derived from inefficiently managing the company's exposure to commodities prices using hedging contracts and other strategies

Abengoa is exposed to fluctuations in the price and supply of commodities in its biofuels division. This business area competes with the food market for the supply of commodities such as wheat, corn and sugar. Consequently, any increase in the cost of these products pushes up the cost of ethanol production. The company uses hedging contracts, including futures and options contracts on organized markets, as well as OTC contracts in order to manage these risks.

#### Risks derived from the correlation between the prices of sugar, oil and sugar cane.

In general, the price of ethanol is closely related to the price of sugar and, to a certain degree, to the price of oil. A significant proportion of ethanol production in Brazil takes place in sugar cane mills, which produce

ethanol and sugar. Since these sugar cane mills can vary the proportion of their production depending on the relative prices of ethanol and sugar, the prices of these products are directly related. Moreover, sugar prices in Brazil are determined by global prices so there is a strong correlation between Brazilian ethanol prices and global sugar prices.

In addition, since flexible-fuel vehicles currently enable consumers to choose between gasoline and ethanol, prices of the latter are becoming directly correlated to gasoline prices and consequently to the oil price.

#### Risks derived from sensitivity in the demand for raw materials for bioenergy production and volatility in the price of the end product

The results of the bioenergy area of our Industrial Production activity are highly reliant on commodity prices, including the difference between the cost at which the company purchases its raw materials and the price at which it sells the end product. Prices and supplies depend on and are determined by market forces that are beyond the company's control, such as the weather, domestic and global demand, supply shortages and export prices as well as different public policies in the USA, Europe, Brazil and around the world. As a result of this price volatility, operating results in the bioenergy area of the Industrial Production activity can fluctuate significantly. In the last quarter of 2011, 2012 and 2013, the bioenergy area was affected by an increase in grain and sugar prices caused by droughts in the USA and heavy rains in Brazil, respectively, as well as lower demand for gasoline that depressed ethanol prices. Today, ethane prices are under pressure in Europe as a result of low gasoline demand. The company cannot guarantee that it will be able to purchase corn and natural gas at favorable prices nor that it will be able to sell ethanol, sugar or grain at those prices.

To offset 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.

#### The company has a controlling shareholder

As at the date of the Consolidated Financial Statements, Inversión Corporativa I.C., S.A. holds 57.819% of the voting rights in Abengoa.

Consequently, this company controls Abengoa under the terms of Article 42 of the Code of Commerce and can therefore exert a controlling influence over certain issues that require the shareholders' approval, notwithstanding the protective measures and the separate voting rights corresponding to Class B shares in certain cases, pursuant 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.

Nevertheless, Inversión Corporativa IC, S.A. has signed a shareholder agreement with the company, in which it agrees to the following, among other issues, (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 shareholder agreement) in cases in which, as a result

of exercising the right to convert Class A shares into Class B shares, as stated 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 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 parties 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 the 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.

#### 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.

#### 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 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. Client concentration

During the years 2014 and 2013 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.

- > **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, 2014, with the rest of the variables remaining constant, the effect in the Consolidated Income Statement would have been a loss of €1,103 thousand (loss of €8,496 thousand in 2013) mainly due to the US Dollar net liability position of the Group in companies with Euro functional currency and an increase of € 36,315 thousand (increase of €1,192 in 2013) 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, 2014 and 2013 are included in Note 14 of Notes to Consolidated Financial Statements. ales Consolidadas.

- > **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 project debt, 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, as general rule, 80% of the debt is covered throughout the term of the debt; in addition, in 2009, 2010, 2013 and 2014, 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, 2014, with the rest of the variables remaining constant, the effect in the Consolidated Income Statement would have been a profit of €9,182 thousand (profit of €13,669 thousand in 2013) mainly due to the increase in time value of hedge interest rate options (caps and collars) and an increase of € 35,591 thousand in other reserves (increase of

€48,050 thousand in 2013) 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, 2014 and 2013 is provided in Note 14 of 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 steel.

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, 2014, 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 (null in 2013) and an increase in other reserves of € 50,164 thousand (increase of €4,567 thousand in 2013) due to open derivative contracts primarily on grain purchases held by the Group.

At December 31, 2014, 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 (null in 2013) and an increase in other reserves of € 8,673 thousand (increase of €60,040 in 2013) due to open derivative contracts primarily on ethanol purchases held by the Group.

A breakdown of the commodity derivative instruments as of December 31, 2014 ad 2013 is included in Note 14 to 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 2014, Abengoa recorded a profit of €3,992 thousand (profit of €15 thousand in 2013), corresponding to settled transactions in both years.

#### 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, 2014 and 2013 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, 2014 and 2013.

› **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 (project finance and bridge loan), 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, the sale of mature concessional assets, the sale of a transmission line concession activity in Brazil and a water concession activity in China;
- › capital increases carried out for €300 million in 2011 and 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 project debt each project is assigned a leverage objective based on the cash and cash flow generating capacity, generally, of contracts that provide these projects with highly recurrent and predictable levels of cash flow generation;
- › for activities financed with Corporate Financing, the objective is to maintain reasonable leverage, defined as 2.0 times corporate Ebitda over Net Corporate Debt in 2014.

### 4.3. Risk management and internal control

During 2014, 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.

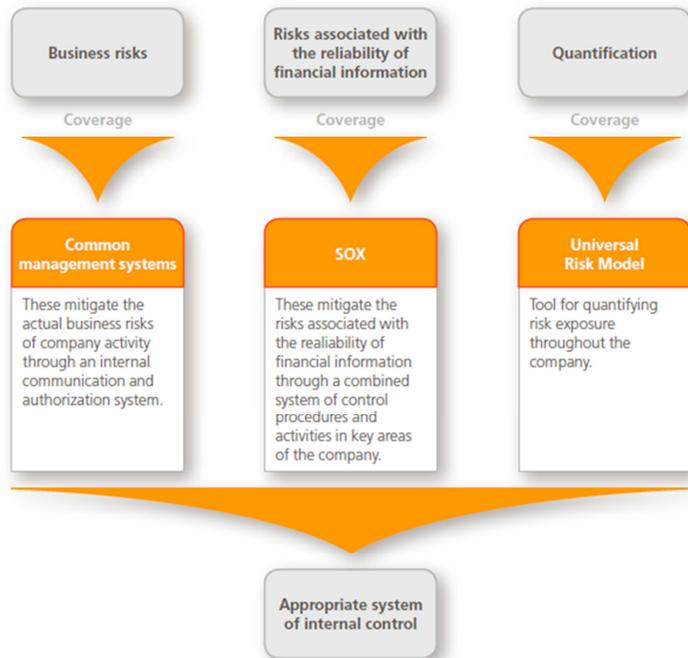
In forthcoming years, and principally with the consideration of being a company registered in NASDAQ, we will be faced with an environment characterized by greater regulatory requirements. In order to deal with this scenario, Abengoa considers risk management an indispensable activity and function for strategic decision making.

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.

- > Identify
- > Evaluate
- > Respond
- > Monitor
- > Report

In each phase, regular and consistent communication is necessary in order to achieve good results. Since it is a continuous cycle, permanent feedback is necessary in order to achieve a constant improvement in the risk management system. These processes are addressed to all the company's risks.

Abengoa's risk management model comprises three core elements:



Those elements combine to form an integrated system that enables the company to manage risks and controls suitably throughout all levels of the organization.

### a) Common management systems

The common management systems are the internal rules for Abengoa and its business groups and are used to assess and control risk. They represent a common culture for managing Abengoa's businesses, sharing the accumulated knowledge while defining specific criteria and guidelines.

The common management systems include specific procedures for any type of action that could give rise to a risk for the organization, whether financial or non-financial. Furthermore, they are available to all employees in electronic format regardless of their geographical location or role.

The functional heads of each division must verify and certify compliance with these procedures. This annual certification is issued by the Audit Commission in January of the following year.

The systems cover the whole organization at three levels:

- > All the business groups and areas of activity.
- > All levels of responsibility.
- > All kinds of operations.

Common management systems represent a common culture for Abengoa's different businesses and are composed of eleven rules defining how each of the potential risks included in Abengoa's risk model should be managed. Through these systems, the risks and the appropriate way of hedging against them are identified and the control mechanisms defined.

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.

### b) Compulsory procedures (SOX)

The compulsory procedures are used to mitigate risks relating to the reliability of the financial information, employing a combined system of procedures and control activities in key areas of the company, which are intended to ensure the reliability of the financial information and prevent fraud.

SOX is a compulsory law for all listed companies operating in the United States and is intended to ensure the reliability of the financial reporting of these companies and protect the interests of their shareholders and investors by establishing an appropriate internal control system. Thus, although none of the business groups is required to meet SOX requirements, Abengoa deems it necessary to comply with these

requirements throughout all of its component companies, since these requirements complement the risk control model used by the company.

The company has implemented an appropriate internal control system that relies on three tools:

- > A description of the company's relevant processes that could impact the financial information to be prepared. In this regard, 55 management processes have been defined and grouped into corporate cycles and common cycles used throughout all the business groups.
- > A series of flow charts that provide a visual description of the processes.
- > An inventory of the control activities in each process to ensure attainment of the control objectives.

At Abengoa, we have viewed this legal requirement as an opportunity for improvement and, far from being satisfied with the rules included in the Act, we have tried to develop and improve our own internal control structures, control procedures and the evaluation procedures in place.

This initiative arose in response to the swift expansion experienced by the group in recent years and projected future growth, the aim for us to continue preparing accurate, timely and complete financial reports for our investors.

In order to meet the requirements of section 404 of the SOX, Abengoa's internal control structure has been redefined following a 'Top-Down' approach based on risk analysis.

This risk analysis encompasses a preliminary identification of significant risk areas and an assessment of the company's controls over them, starting with top-level executives - corporate and supervisory controls – then dropping to the operational controls present in each process.

### c) The universal risk model

The universal risk model is the company's chosen methodology for quantifying the risks that compose the risk management system.

Abengoa's universal risk model is made up of 20 categories and a total of 56 principal risks for the business. Each categories are agrupated in four big areas (financial risks, strategic risks, compliance risks and operations risks).



Furthermore, the model is checked of periodic form. These updates are a joint responsibility of the department of internal audit, the management of risks and the people in charge of every indicator in every area. During the exercise 2014, two reviews of the model have been realized based on:

- > Probability of occurrence: Degree of frequency wich is possible to ensure that a particular cause will result an event with negative impact on Abengoa.
- > Impact on the Company: Set of negative effects on Abengoa's strategic objectives.

## 5.- Anticipated future trends of the group

In 2015, environmental concerns will continue to be at the center of attention worldwide in a climate of progressive recovery from the economic and financial crisis. This will contribute to continued growth of Abengoa's potential markets and opportunities. According to the International Energy Agency, the global demand for energy will rise by 37 % to 2040, and this year's global energy supply will come in equal proportions from oil, gas, coal and low-carbon sources. In the midst of serious tensions affecting the international energy system as the result of conflicts in the Middle East, Russia and the Ukraine, the electrical power generation sector will lead the transformation of the world energy map, where renewables will prove the drivers of change. Renewable energy sources will represent nearly half of the increase in electricity generation until 2040 and biofuel use will triple. The water sector will continue to be characterized by shortages and the need for major improvements in water infrastructure and management. The report published by Global Water Intelligence indicates an anticipated 3.9% increase per annum until 2018.

The environmental challenges facing the world today remain pressing. Putting the brakes on rising temperatures and cutting greenhouse gas emissions continue to be prevailing objectives, as described in the latest report from the IPCC (Intergovernmental Panel on Climate Change). This is a huge responsibility that is shared by all of the world's economies. At the Conference of the Parties (COP-20) held in Lima, a draft agreement was drawn up for signing in 2015 at the decisive Paris conference: an international gathering that will set out a new Kyoto Protocol, which should emerge as a momentous milestone in the struggle against climate change.

All of these trends are fully in concert with the Abengoa philosophy and facilitate the forward-looking prospects of the portfolio of opportunities which the company has been making the most of as the product of its commitment to technology and solid position in the markets.

Over the course of 2014, Abengoa succeeded in executing the envisaged strategic plan, and the company's technological advancements led to the completion of highly innovative projects such as the Solana solar plant with energy storage capability located in the Arizona desert and the KaXu facility in South Africa, and new contracts that include the Atacama molten salt tower in Chile. At the same time, we have expanded the project

map to include new regions like Costa Rica and Colombia, while maintaining our position of leadership in the U.S., Brazil, South Africa, Chile, Peru and Uruguay.

Providing fundamental support to Abengoa's momentum is the quality of its team of people and the ongoing efforts dedicated to the training they engage in to stay on the cutting edge of knowledge and in developing and implementing the most advanced technical resources. Proof of this can be found in Campus Palmas Altas, where the laboratories for research into materials, thermal and chemical processes, biotechnology and power systems are now running at full capacity.

Progress in executing projects and exploitation of new opportunities took place simultaneously with reinforcement of the company's financial structure and advancement in the commitments undertaken involving balance sheet deleveraging and appropriate transparency. In 2014, we carried out operations in the capital market with two bond issuances for a total of € 1,000 M and we successfully refinanced the syndicated loan in the amount of € 1,400 M.

Along these lines, worthy of special mention is the admittance to trading on the U.S. NASDAQ stock exchange of Abengoa Yield through a capital increase of € 611 M. In order to bolster our financial structure and boost Abengoa Yield's opportunities for growth, this operation was complemented by the commitments reached to reduce our stake in the company and the creation of a joint venture with a leading international fund in the energy and infrastructure sectors to invest in the construction of present and future concession-type projects. With the investment totaling more than € 8,000 M, this will facilitate the anticipated decrease of more than € 600 M of debt.

Although sales stabilized this year, with figures totaling € 7,151 M, EBITDA saw an increase of 11 % for a total of € 1,408 M. Corporate net debt as of year-end 2014 is 2.4 times the corporate EBITDA figure, which totals € 964 M. This year, although sales have remained stable at € 7,151 million, EBITDA has risen by 11% to € 1,408 million. At the end of 2014, corporate net debt was 2.4 times corporate EBITDA, which totaled € 964 million. This ratio falls to 2.0 times corporate EBITDA taking into account the cash proceeds from the sales of the 13% stake in Abengoa Yield and the assets in the second ROFO agreement. For 2015, our best estimates show that we could achieve a corporate net debt ratio of approximately 1.2 times corporate EBITDA if the divestments included in the financial structure optimization plan launched at the end of 2014 are successfully executed. Lastly, it is worth noting that we ended the year with a cash position of more than € 3,100 million, which will allow us to meet our investment and debt commitments planned for 2015.

## Engineering and construction

The project portfolio at end-year totals € 7,953 M. In the U.S., we inaugurated our second solar thermal power plant, one of the largest in the world, in the Mojave Desert, which now brings us to a total of 1,200 MW installed and under construction in conventional power generation, photovoltaic, solar thermal and Waste to Energy plants. Noteworthy among the projects awarded over the year is the contract for developing a unique

water project, including the delivery system and a water treatment facility that is going to provide 168,970 m<sup>3</sup> of water per day to the city of San Antonio, Texas.

We were also selected to build wind power, cogeneration, combinedcycle and water projects in Mexico; power transmission lines in a variety of geographical regions; construction and management of singular buildings; and execution of the first solar thermal plant for direct production of electricity in Latin America, located in the Atacama Desert.

## Asset operation and maintenance

Abengoa has a wide-ranging portfolio of assets which the company is in charge of operating and maintaining. The portfolio is composed of concession-type assets, as well as free-market businesses that are highly technology-driven, such as biofuels.

In 2014, we generated more than 6,900 GWh of solar plants, wind farms, hybrid and cogeneration plants, and we brought new plants on line in the U.S. (Mojave), South Africa (KaXu Solar One) and in Uruguay (the Palmatir Wind Farm). We also produced 118 Mm<sup>3</sup> of desalinated water out of our desalination plants in Africa, Asia and Europe.

Total installed and under-construction capacity in the power plants we operate and maintain in the U.S., Abu Dhabi, South Africa, Algeria, Israel, Mexico, Brazil, Uruguay, Spain, India and Holland amounts to 4,474 MW.

We continue to operate more than 5,100 km of power transmission lines in Brazil, India, Peru and Chile.

In 2014, Abengoa continued to work on the Waste to Biofuels (W2B) project in Salamanca (Spain). And, joining the 14 existing plants, is a new facility that will produce cellulosic ethanol from agricultural waste on a commercial scale in the U.S. Furthermore, in Brazil efforts are focused on developing second-generation ethanol from sugar cane pulp and chaff.

## Growth and diversification

Our growth model is grounded in simultaneous management of businesses with different profiles and characteristics. Cash flow from our traditional activities is reinvested in the growth of emerging businesses. Noteworthy here are Abengoa Hydrogen and Abengoa Energy Crops, in conjunction with other technological options which Abengoa Research and the company's business units obtain through their research.

The company's international activity accounts for 88 % of overall sales, with prominent shares coming from the North America at 32 % and South America with 30 %.

## Human capital and employment

The essential role Abengoa attributes to the team of people who make up the company was recognized with the awarding of the +500 EFQM Gold Seal for European Excellence for our management of human resources. We obtained a score of over 600 points.

We know that the future depends on the creativity of the present, which in turn depends on the training and engagement of the people that are part of the company. Keenly aware of this, we carried out more than two million hours of training this year. Many of these training instruction hours took place in collaboration with some of the most prestigious universities in the world.

Constant concern for the safety and security of our teams and operations around the world is part of our corporate culture, which results in a demanding system of quality and occupational risk control and prevention on all company levels.

## Auditing and transparency

In keeping with our commitment to transparency and rigor, the Annual Report incorporates seven components of independent verification. Some are groundbreakers and attest to our desire to be a point of reference in transparency and ensure the reliability of both financial and non-financial information. These components encompass the following areas: annual accounts, the internal control system for preparing financial information in accordance with U.S. SOX (Sarbanes-Oxley) requirements, the Corporate Social Responsibility Report, the Corporate Governance Report, design and application of the company's Risk Management System in line with ISO 31000 specifications, design and implementation of the compliance system for the prevention of corruption, regulations and fulfillment of the criteria for use of funds obtained through Green Bond issuance.

## Corporate social responsibility and sustainability

As a product of our commitment to responsible business management, we have drawn up a new Strategic Plan for Corporate Social Responsibility (CSR), with an outlook to 2020 and including impact reduction targets.

In relation to the struggle against climate change, this year we were one of the first twenty businesses to commit to setting an internal carbon price within the United Nations Caring for Climate framework with the aim of gearing company activity toward a low-carbon economy. In addition, through the Focus-Abengoa Foundation, we carried out the initiative of launching the Energy Transition and Climate Change Forum, a platform for observation, analysis and debate regarding the energy transition process within the context of combating climate change.

In 2014, we became a component of the London Benchmarking Group in order to continue to improve return on our social engagement efforts and increase the value generated in the communities where we operate. This year, our investment in social action totaled € 9.5 M.

Abengoa's CSR Report was prepared for the first time in accordance with the G4 guidelines of the Global Reporting Initiative and was verified by an independent third party to a reasonable level of assurance.

With these intentions, you will find the following at your disposal: the Corporate Social Responsibility mailbox (rsc@abengoa.com), our website (www.abengoa.com), the Energy Transition and Climate Change Forum website (www.transicionenergeticaycc.org), our profile on Twitter, LinkedIn, Instagram, Facebook, Google +, Youtube, Pinterest and Slideshare and our corporate blog (www.laenergiadelcambio.com).

## 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 2014 (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.
- › Determining the marketing programs for the technology developed.
- › Support for innovation and technology from institutions/governments.

During 2014, Abengoa made significant Research, Development and Innovation (R&D+i) investment efforts, investing a total of €597,784 thousand (€426,358 thousand in 2013) 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.** In 2014 Abengoa continued its strategy of developing proprietary technology to give it a competitive advantage and as a vector for growing its business. Thanks to this commitment to R&D and innovation, the Abengoa Research laboratories at Campus Palmas Altas become fully operational during the year with facilities for the different technology areas of Abengoa's business segments:

- > Biological laboratory
- > Electrical laboratory
- > Materials laboratory
- > Thermal fluids laboratory
- > Chemistry laboratory
- > Biomolecular and biochemistry laboratory

The main development assets are based on technologies that enable Abengoa's strategic R&D areas to continue progressing, such as technologies for solar-thermal plants, energy storage systems, bio-refining, treating municipal solid waste for energy production, and plants for treating and reusing water.

In thermo-solar technology it is worth noting the 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 in 2015.

Additionally, in the field of solar-thermal power, it is worth noting the construction of the solar plant project in the Atacama Desert (Chile), which combines tower technology based on molten salts (110 MW) and photovoltaics (100 MW) with energy storage systems that use molten salts and batteries. This plant will enable renewable power to be continually produced 24 hours a day, supplying demand from the network at any given time.

The R&D and innovation carried out by Abengoa also resulted in the enzymatic cocktail that converts non-food organic material into biofuels, which led to the opening of Abengoa's first 2G bioethanol plant located in Hugoton (USA) in October 2014, where up to 95 million liters of bioethanol are produced annually from almost 350,000 tons of biomass, specifically agricultural waste. In Brazil the company is developing second-generation ethanol production from sugar cane straw and bagasse, while one of the world's largest commercial biomass plants that will generate 215 MW of power will be constructed in Gante.

Work also continues on developing the Waste to Biofuels (W2B) project in Salamanca, to produce biofuels from municipal solid waste (MSW), solving the issue of how to manage this waste while generating a high value added product.

In the field of R&D+i for integral water management, nanotechnology is being developed for water treatment processes. Projects include a desalination plant being developed in Ténés (Algeria) using reverse osmosis

technology to desalinate 200,000 m<sup>3</sup> of water per day, while in the city of San Antonio, Texas (USA) a drinking water treatment and water supply project is underway that will supply 168,970 m<sup>3</sup> of water per day and includes an agreement to manage the plant for a 30 year period.

As a technology company, Abengoa is committed to using R&D to develop new businesses that enable it to grow. In 2014 the main focus has been on developing the company's emerging businesses related to hydrogen and energy.

## 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.

**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, 2014 treasury stock amounted to 41,624,265 shares (40,009,307 shares in 2013), which 5,550,532 are class A shares and 36,073,733 are class B shares.

Regarding the operations carried out during the year, the number of treasury stock purchased amounted to 14,237,018 class A shares and 169,126,263 class B shares and treasury stock transferred amounted to 14,069,382 class A shares and 167,678,941 class B shares, with a net result of €-2,217 thousand recognized in equity (€-89,618 thousand in 2013).

## 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 €91,798,901 represented by 839,769,720 shares fully subscribed and paid up, with two separate classes:

- > 84,243,640 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').
- > 755,526,080 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 are 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. After completion of the process of demand 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 issued 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.

Furthermore, the proposed dividend for 2013 approved by the General Shareholders' Meeting of April 6, 2014 was €0.111 per share, equivalent to a total dividend of €91,637 (€38,741 thousand in 2013). The same General Shareholders' Meeting agreed to pay the dividend by means of a capital increase carried out via a bonus share issue known as a scrip dividend.

April 23, 2014 marked the end of the period for trading the bonus allocation rights corresponding to this capital increase, in which the holders of 351,867,124 bonus allocation rights (52,193,313 corresponding to Class A shares and 299,673,811 corresponding to Class B shares) accepted the irrevocable purchase commitment offered by Abengoa. Consequently, on April 22, 2014, Abengoa purchased the aforementioned rights for a gross amount of €39,057 thousand. The capital increase was carried out on April 23, 2014 with the issue of 810,582 Class A shares and 13,396,448 Class B shares, at their respective par values, in other words 1 euro for Class A shares and 0.01 euro for Class B shares. The total amount of the increase was therefore €944,546.48, of which €810,582 corresponded to the Class A shares issued and €133,964.48 to the Class B shares.

The Extraordinary General Shareholders' Meeting held on September 30, 2012, approved a voluntary conversion right of Class A shares into Class B shares during various pre-established 'conversion windows' until December 31, 2017. When this right is exercised, a capital reduction will occur due to the reduction in the par value of the converted shares by 0.99 Euros per share, with a corresponding increase in the company's restricted reserves. As a result of the voluntary conversion right established in Article 8 of the company's bylaws, four capital reductions took place during 2014, through which 1,012,661 Class A shares were converted into Class B shares, producing a capital decrease of €1,003 thousand.

On January 15, 2014, following the end of the twelfth conversion period, Abengoa's share capital is ninety one million seven hundred and seventeen thousand and twenty one Euros and eighty six cents (€91,717,021.86) represented by 839,769,720 shares, fully subscribed and paid up, belonging to two different share classes: Eighty four million one hundred and sixty thousand nine hundred and thirty four (84,160,934) Class A shares and seven hundred and fifty five million six hundred and eight thousand seven hundred and eighty six (755,608,786) Class B shares.

Shareholders	Share %
Inversión Corporativa IC, S.A. (*)	50.178
Finarpisa, S.A. (*)	6.192

(\*) 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 April 1, 2014 is 11,055 shareholders in class A shares and 14,956 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, 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 including a commitment 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'. If this proposal were to be presented by another shareholder, or by the Board of Directors, they will vote against it.

On that date, 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:

- > Representing at least 5 percent of the share capital or 5 percent of the voting shares, may send proposals that they intend to submit as supplementary points to the agenda published in the notice of the general meeting.
- > May send initiatives to achieve the required percentage to exercise a minority right.
- > May send requests for voluntary representation

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 6, 2014, 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 7, 2013 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 November 10, 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.

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

Abengoa's Ordinary General Shareholders' Meeting was held at second call on April 6, 2014, with a total of 577 shareholders present or represented, representing 6,585,016,359 votes and 72.185% of the company's share capital. The following resolutions were passed by the meeting:

Resolution One.- Examination and approval, if given, of the Annual Financial Statements and the Directors' Report corresponding to the 2013 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 2013 fiscal year.

Three.- A capital increase for the amount determined under the terms of the resolution, by issuing new ordinary Class A and/or Class B shares with a nominal value of one Euro and one Euro cent each, respectively, without share premium, of the same class and series as the shares currently in circulation, charged against voluntary reserves set aside from undistributed profits, with the express possibility that the allotment will be incomplete. Delegation of authority to the Board of Directors to set the conditions of the capital increase for all aspects not agreed by this General Shareholders' Meeting; to perform the necessary actions to implement the capital increase; to redraft the text of Article 6 of the company's bylaws for the new amount of share capital, and to formalize any public and private documents that may be necessary to implement the capital increase. Request the competent national and foreign organizations to admit the new shares for trading on the Madrid and Barcelona stock exchanges, through the Spanish Stock Market Interconnection System (commonly referred to as the 'Continuous Market'), and on the foreign stock exchanges on which Abengoa's shares are listed, by means of ADSs on the NASDAQ Global Select Market, in the format required in each case.

Four.- Ratification, appointment and re-election of directors, as appropriate.

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

Resolution Six.- 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 Seven.- 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 Eight.- 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.

Nine.- Delegation to the Board of Directors of the authority to interpret, correct, execute, formalize and register the adopted resolutions.

Ten.- Approval of the minutes in any of the formats established by law.

In relation to the votes of the aforementioned resolutions:

- > In the First resolution, a total of 6,585,017,159 valid votes were cast, corresponding to 61,383,893 Class A shares and 446,627,859 Class B shares, which represent 72.185% of the share capital, with a total of 5,826,409,234 votes in favor, 1,295,853 against and 757,312,072 abstaining.
- > In the Second resolution, a total of 6,585,017,159 valid votes were cast, corresponding to 61,383,893 Class A shares and 446,627,859 Class B shares, which represent 72.185% of the share capital, with a total of 5,827,154,129 votes in favor, 547,908 against and 757,315,122 abstaining.
- > In the Third resolution, a total of 6,585,017,159 valid votes were cast, corresponding to 61,383,893 Class A shares and 446,627,859 Class B shares, which represent 72.185% of the share capital, with a total of 5,827,251,284 votes in favor, 450,903 against and 757,314,972 abstaining.

- > In resolution Four A, a total of 6,585,017,159 valid votes were cast, corresponding to 61,383,893 Class A shares and 446,627,859 Class B shares, which represent 72.185% of the share capital, with a total of 5,754,165,079 votes in favor, 64,761,428 against and 766,090,652 abstaining.
- > In resolution Four B, a total of 6,585,017,159 valid votes were cast, corresponding to 61,383,893 Class A shares and 446,627,859 Class B shares, which represent 72.185% of the share capital, with a total of 5,754,165,079 votes in favor, 64,761,428 against and 766,090,652 abstaining.
- > In resolution Four C, a total of 6,585,017,159 valid votes were cast, corresponding to 61,383,893 Class A shares and 446,627,859 Class B shares, which represent 72.185% of the share capital, with a total of 5,754,165,079 votes in favor, 64,761,428 against and 766,090,652 abstaining.
- > In the Fifth resolution, a total of 6,585,017,159 valid votes were cast, corresponding to 61,383,893 Class A shares and 446,627,859 Class B shares, which represent 72.185% of the share capital, with a total of 5,288,312,907 votes in favor, 539,386,830 against and 757,317,422 abstaining.
- > In the Sixth resolution, a total of 6,585,017,159 valid votes were cast, corresponding to 61,383,893 Class A shares and 446,627,859 Class B shares, which represent 72.185% of the share capital, with a total of 5,261,171,057 votes in favor, 562,293,261 against and 761,552,841 abstaining.
- > In the Seventh resolution, a total of 6,585,017,159 valid votes were cast, corresponding to 61,383,893 Class A shares and 446,627,859 Class B shares, which represent 72.185% of the share capital, with a total of 5,279,508,858 votes in favor, 543,955,410 against and 761,552,891 abstaining.
- > In the Eighth resolution, a total of 6,585,017,159 valid votes were cast, corresponding to 61,383,893 Class A shares and 446,627,859 Class B shares, which represent 72.185% of the share capital, with a total of 5,826,332,427 votes in favor, 1,367,310 against and 757,317,422 abstaining.
- > In the Ninth resolution, a total of 6,585,017,159 valid votes were cast, corresponding to 61,383,893 Class A shares and 446,627,859 Class B shares, which represent 72.185% of the share capital, with a total of 5,827,160,854 votes in favor, 541,883 against and 757,314,422 abstaining.
- > In the Tenth resolution, a total of 6,585,017,159 valid votes were cast, corresponding to 61,383,893 Class A shares and 446,627,859 Class B shares, which represent 72.185% of the share capital, with a total of 5,827,162,904 votes in favor, 536,833 against and 757,317,422 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, 2014 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
Aplidig, S.L.	-	-	4,737,756	-	0.0516
Manuel Sánchez Ortega	-	-	913,167	-	0.0099
José Joaquín Abaurre Llorente	-	-	9,870	-	0.0001
José Luis Aya Abaurre	1,210	-	344,301	-	0.0050
M <sup>o</sup> Teresa Benjumea Llorente	12,390	-	49,560	-	0.0140
Javier Benjumea Llorente	3,888	-	15,552	-	0.0044
José Borrell Fontelles	-	-	71,695	-	0.0008
Mercedes Gracia Díez	-	-	2,500	-	-
Ricardo Hausmann	-	-	-	-	-
Ricardo Martínez Rico	-	-	2,565	-	-
Claudi 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	0.0966
Carlos Sundheim Losada	-	-	247,118	-	0.0026
Alicia Velarde Valiente	400	-	1,600	-	0.0005

## 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 was set at fifteen, compared to nine established until that time. The Ordinary General Shareholders' Meeting of April 6, 2014, also agreed to once again amend Article 39 of the bylaws, setting the maximum number of members of the board of directors at 16. These modifications 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	16
Minimum number of Board Members	3

In accordance with the recommendations established in the Unified Code of Good Governance of Listed Companies, which have been already subject to regulation by Law 31/2014, December 3, 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 as of December 31, 2014 was 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
Hausmann	Ricardo
Martínez Rico	Ricardo
Sánchez Ortega	Manuel
Santiago Ponsa	Claudi
Solís Guardiola	Ignacio
Solís Martínez-Campos	Fernando
Sundheim Losada	Carlos
Terceiro Lomba (1)	José B. (representing Aplidig, S.L.)
Velarde Valiente	Alicia

(1) José B. Terceiro resigned from all positions on the Board of Directors and its delegated commissions on January 16, 2015. The resignation was accepted by the Board of Directors at its meeting held on January, 2015.

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

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 and more recently in Law 31/2014, the classification of current directors is as follows:

Felipe Benjumea Llorente	- Executive President
José B. Terceiro (representing Aplidig, S.L.) (1)	- Executive (Vice-President) - Member of the Appointments and Remuneration Committee
Manuel Sánchez Ortega	- Executive. Chief Executive Officer
José Joaquín Abaurre Llorente	- External, weekly assistant
José Luis Aya Abaurre	- External, weekly assistant
Javier Benjumea Llorente	- Executive
M <sup>a</sup> 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
Ricardo Hausmann	- Independent
Alicia Velarde Valiente	- Independent - Member of the Appointments and Remuneration Committee - Member of the Audit Committee

(1) José B. Terceiro resigned from all positions on the Board of Directors and its delegated commissions on January 16, 2015. The resignation was accepted by the Board of Directors at its meeting held on January 19, 2015.

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 October 20, 2014, but is expected to change soon to be adapted to the requirements of the Law 31/2014.

#### › Structure:

The Board of Directors is currently made up of 16 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, as well as the Strategy and Technology Commission. All these regulations, included within the revised Internal Regulations on Corporate Governance are available on the company's website, [www.abengoa.es/com](http://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 Aplidig, S.L. (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 Aplidig, 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.

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 and was ratified by the General Meeting on April 10, 2011. 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 a proposal, if any, of the Appointments and Remuneration Committee. 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 2014, the Board met a total of 18 times, of which four 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:

- Be informed and appropriately prepare for each working session.
- Attend and actively participate in meetings and decision making.
- Carry out any specific task entrusted by the board of directors.
- Encourage people with the authority to call meetings, to call extraordinary meetings of the board or include the issues that they deem relevant on the agenda of the next meeting to be held.
- Avoid conflicts of interest from arising and, if appropriate, report their existence to the board via its secretary.

- Do not hold positions in competing companies.
- Do not use company information for personal ends.
- Do not use company assets inappropriately.
- Do not use company business opportunities for personal ends.
- Keep all information that results from your position confidential.
- Abstain from voting on budget issues that affect you.
- Disclose any direct or indirect interests in the company's securities or derivatives.
- Actively participate and be committed to the issues being discussed by the board, as well as following up these issues and obtaining the necessary information.
- Do not support resolutions that break the law, the company's bylaws or go against the company's interests. Request the corresponding legal and technical reports, as appropriate.
- Notify the company of any significant changes in your professional circumstances which could affect the characteristics or conditions under which you were appointed as a director, or which may give rise to a conflict of interest.
- Notify the company of all legal or administrative claims, or any other type of claim, which could seriously impact the company's reputation due to their significance.

› 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 exclusively 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 not 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 2014 were €15,833 thousand (€15,421 thousand in 2013).

Detail of individual remuneration and benefits in 2014 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 2014
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	450	-	93	1,307	200	52	-	2,102
José Borrell Fontelles	-	-	160	-	140	-	-	300
Mercedes Gracia Díez	-	-	160	-	40	-	-	200
Ricardo Martínez Rico	-	-	110	-	20	-	-	130
Alicia Velarde Valiente	-	-	110	-	40	-	-	150
Ricardo Hausmann (2)	-	-	178	-	-	-	-	178
José Joaquín Abaurre Llorente	-	-	110	-	40	-	-	150
José Luis Aya Abaurre	-	-	110	-	40	-	-	150
María Teresa Benjumea Llorente	-	-	78	-	-	24	-	102
Claudi Santiago Ponsa	-	-	70	-	-	-	-	70
Ignacio Solís Guardiola	-	-	78	-	-	-	-	78
Fernando Solís Martínez-Campos	-	-	78	-	-	-	-	78
Carlos Sundheim Losada	-	-	78	-	-	-	-	78
<b>Total</b>	<b>2,622</b>	<b>202</b>	<b>1,692</b>	<b>10,719</b>	<b>520</b>	<b>76</b>	<b>2</b>	<b>15,833</b>

Note (1): Represented by Mr. José B. Terceiro Lomba until 01.19.2015

Note (2): From 06.02.2014

Additionally, in 2014 overall remuneration for key management of the company (Senior Management which are not executive directors), including both fixed and variable components, amounted to €11,351 thousand (€14,656 thousand in 2013).

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 the board of directors of Abengoa, S.A. (hereinafter, the 'Company') on February 24, 2003, under Article 28 of the board of directors regulations, in order to incorporate the recommendations relating to appointments and remuneration committees in Law 44/2002 of November 22 on financial system reform measures. This meeting of the board of directors also approved the Committee's internal regulations.

At present the Appointments and Remuneration Committee is governed by the consolidated text of the Capital Companies Act, approved by Legislative Royal Decree 1/2010 of July 2 (hereinafter, the 'Capital Companies Act'), which are reflected in Abengoa's bylaws, the board of directors regulations and the internal regulations of the Appointments and Remuneration Committee.

### Composition

The Committee currently has the following composition:

- José Borrell Fontelles	Chairman. Independent director.
- Mercedes Gracia Díez	Member. Independent director.
- Alicia Velarde Valiente	Member. Independent director.
- Antonio Fornieles Melero	Member. Independent director.
- Juan Carlos Jiménez Lora	Non-director Secretary

Mr Borrell Fontelles was appointed as a member of the Committee by the meeting of the board of directors of Abengoa, S.A. held on February 23, 2012 and elected as its chairman at the meeting of the Appointments and Remuneration Committee held on July 23, 2012. The secretary of the Committee was appointed by the meeting of the Appointments and Remuneration Committee held on June 23, 2014.

Mr Fornieles Melero was co-opted and appointed as an independent director of Abengoa by resolution of its board of directors on January 19, 2015, in order to cover the vacancy resulting from the resignation of Aplidig, S.L. He was also appointed as second vice-chairman, lead director, a member of the Audit Committee and a member of this Appointments and Remuneration Committee on the same date.

As a result, the Appointments and Remuneration Committee comprises four independent directors with the chairman of the Committee appointed from among them, in accordance with the requirements of the Capital

Companies Act. Article 2 of the Committee's internal regulations also requires the chairman to be an independent director.

## Duties and responsibilities

The Appointments and Remuneration Committee is responsible for the following:

1. Evaluate the skills, knowledge and experience required to be a member of Abengoa's board of directors. The Committee will define the functions and skills required by candidates for each vacancy and assess the time and dedication required for the role to be performed correctly.
2. Establish a representation target for the under-represented gender on the board of directors and prepare guidelines on how to achieve this goal.
3. Submit proposals to the board of directors to appoint independent directors so that they may be appointed by co-optation or for the decision to be submitted to the General Shareholders' Meeting, as well as proposals for re-elections or departures also to be submitted to the General Shareholders' Meeting.
4. Propose appointments of the remaining directors so that they may be appointed by co-optation or for the decision to be submitted to the General Shareholders' Meeting, as well as proposals for re-elections or departures also to be submitted to the General Shareholders' Meeting.
5. Annually verify that the original conditions underlying the appointment of directors continue to apply, including the characteristics and type of directorship applicable to each board member, all of which should be included in the annual report.
6. Report any proposals to appoint or dismiss senior management members and the basic conditions of their contracts.
7. Analyze and organize the succession of the chairman of the board of directors and the Company's CEO, and make proposals to the board of directors so that this succession occurs in an organized and planned way, as appropriate.
8. Propose to the board of directors the remuneration policy for directors and general managers or those people that perform the senior management functions reporting directly to the Board; members of executive committees; and CEOs, as well as the individual remuneration and other contractual conditions of executive directors, ensuring that these conditions are fulfilled.
9. Organize and supervise the annual performance appraisal of the board of directors and its committees, and propose an action plan to correct any deficiencies identified depending on the results obtained.
10. Prepare an annual report on the activities of the Appointments and Remuneration Committee, which must be included in the management report.

## Meetings and calling of meetings

To fulfil the aforementioned duties, the Appointments and Remuneration Committee will meet when necessary and at least once every six months. It will also meet whenever the chairman calls a meeting, although a valid meeting may also be called when all of its members are present and they agree to hold a meeting.

During 2014 the Committee met six times. Important issues discussed at these meetings included proposals to appoint or re-appoint members of the board of directors, as well as checking that the original conditions underlying the appointment of directors continue to apply, including the characteristics and type of directorship applicable to each member.

## Quorum

Meetings of the Committee shall be considered as valid when the majority of its members are present. Attendance may only be delegated to other non-executive directors.

The resolutions adopted shall be valid when the majority of the Committee's members, present or represented, vote in favor. In the case of a tie, the chairman shall have the casting vote.

The Company's remuneration manager shall act as Secretary of the Committee at its meetings.

## Analysis, reports and proposals made by the Committee

### During 2014:

- › Monitoring and evolution of the remuneration of the members of the Company's board of directors and senior management.
- › Proposals for the remuneration of members of the Company's board of directors and senior management.
- › Preparation of the corresponding information to be included in the financial statements.
- › Proposal to the board of directors to re-elect Ms. Mercedes Gracia Díez as a director, following the end of her previous term.
- › Proposal to the board of directors to appoint Mr Daniel Alaminos Echarri as general secretary and as secretary of the board.
- › Report to verify that the original conditions for appointing directors continue to apply, including the characteristics and type of directorship applicable to each member.
- › Reports on market studies carried out by independent experts and remuneration comparisons.

During the period between the end of 2014 and the calling of the General Shareholders' Meeting for 2015:

- > Proposal to the board of directors to appoint, by co-optation, Mr Antonio Fornieles Melero, as an independent director to fill the vacancy left by the resignation of the director for the company Aplidig, S.L.
- > Report to the board of directors on the appointment of Mr Antonio Fornieles Melero as second vice-chairman, lead director and member of the Company's Audit Committee and the Appointments and Remuneration Committee.
- > Report to the board of directors on the appointment of Mr Manuel Sánchez Ortega, CEO of the Company, as first vice-chairman of the Company's board of directors.
- > Report to the board of directors on the appointment of Mr Ignacio García Alvear as the Company's new investor relations manager, replacing Ms. Bárbara Sofía Zubiria Furest.
- > Proposal to the board of directors, for its approval, of the individual remuneration and other contractual conditions of the executive directors.
- > Proposal to the board of directors, for its approval, of the annual remuneration report of the directors, including the remuneration policy for the Company's directors and senior management.
- > Submission of the results of the annual performance appraisal of the board of directors and its committees to the board of directors, for its approval.

## 10.- Other relevant information

### 10.1. Stock exchange information

According to the figures supplied to the company by Bolsas y Mercados Españoles, 205,303,399 shares A and 3,615,121,098 shares B were traded in 2013, equivalent to an average daily volume of 805,111 and 14,176,945 for A and B shares, respectively; and an average traded cash value of €2.9 million and €43.4 million per day, respectively.

Share evolution	A Shares		B Shares	
	Total	Daily	Total	Daily
Volume (thousands of shares)	205,303	805	3,615,121	14,177
Volume (M€)	747	3	11,076	43

Quotes	Data		Data	
Last	2.12	31-Dec	1.83	31-Dec
Maximum	5.14	23-Jun	4.73	4-Sep
Average	3.65		3.06	
Minimum	1.52	14-Nov	0.90	14-Nov

The final listed prices of Abengoa's shares in 2014 was €2.123 (A-shares), which is a 7% decrease on the closing price for the previous year, and €1.832 (B-shares), a 11% decrease on the closing price for the previous year.

As a historical reference, since Abengoa's Initial Public Offering on November 29, 1996, the company's value has increased by 366% which is more than 4.7 times the initial price. During this same period, the select IBEX-35 has increased by 120%.

**Abengoa's Stock Price Evolution**  
(compared with Ibex-35)



## 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 2014, 2013 and 2012 represent a payout ratio of 38.5, 70.0%, and 10.1% respectively over the previous year's result, which represented a payment of 39, 39, and 38 million respectively.

The General Shareholders' meeting held on April 6, 2014 approved a dividend of €0.111 per share, which totals €91,637 thousand, compared to €38,741 thousand in the previous year. On April 6, 2014, the Ordinary General Shareholders' Meeting approved the paidup capital increase with the purpose of implementing the payment of the dividend for the fiscal year 2013 means of a 'scrip dividend'.

On April 23, 2014 the period for trading the free allotment rights corresponding to the aforementioned capital increase ended. During the period established for such purpose, the holders of 351,867,124 free allotment rights (52,193,313 of which corresponding to Class A shares and 299,673,811 corresponding to Class B shares) entitled to accept the irrevocable commitment to purchase the referred rights made by Abengoa have done so. As such, On 22 April 2014, Abengoa proceed to acquire such rights in the total gross amount of €39,057 thousand, representing a payout ratio of 38.5% on the profit for the year 2013.

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 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.

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 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.

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 March 19, 2013, Standard & Poor's ("S&P") Rating Services reaffirmed our corporate family rating and probability of default rating of 'B' but with a positive outlook and on December 3, 2014 they reaffirmed the rating of the corporate family and of our high-yield notes. On October 21, 2014 Fitch Ratings, Inc. ('Fitch') reaffirmed our corporate family rating and probability of default rating from 'B+' but with a negative outlook. In addition, Moody's Investors Service, Inc. ('Moody's') has maintained stable the rating 'B2' with a stable outlook during 2014, reaffirming it on November 24, 2014.

## 10.4 Average supplier payment time

The coming into force of Law 31/2014 of December 3, which amends Law 15/2010 of July 5, which in turn amended Law 3/2004 of December 29, which establishes measures to combat late payment in commercial transactions, also establishes the obligation for mercantile companies to specifically publish their average supplier payment time in the report to their financial statements, their management report and on their website.

With regards to this obligation, supplier payments to companies based in Spain during 2014 exceeded the legally established period by 71 days. The company's directors will take the appropriate measures during the coming year to reduce the average supplier payment time to the levels permitted by the aforementioned law.

## 10.5 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 2014. 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 2014 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 2014.

The annual report is available on the company's website at [www.abengoa.com](http://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).

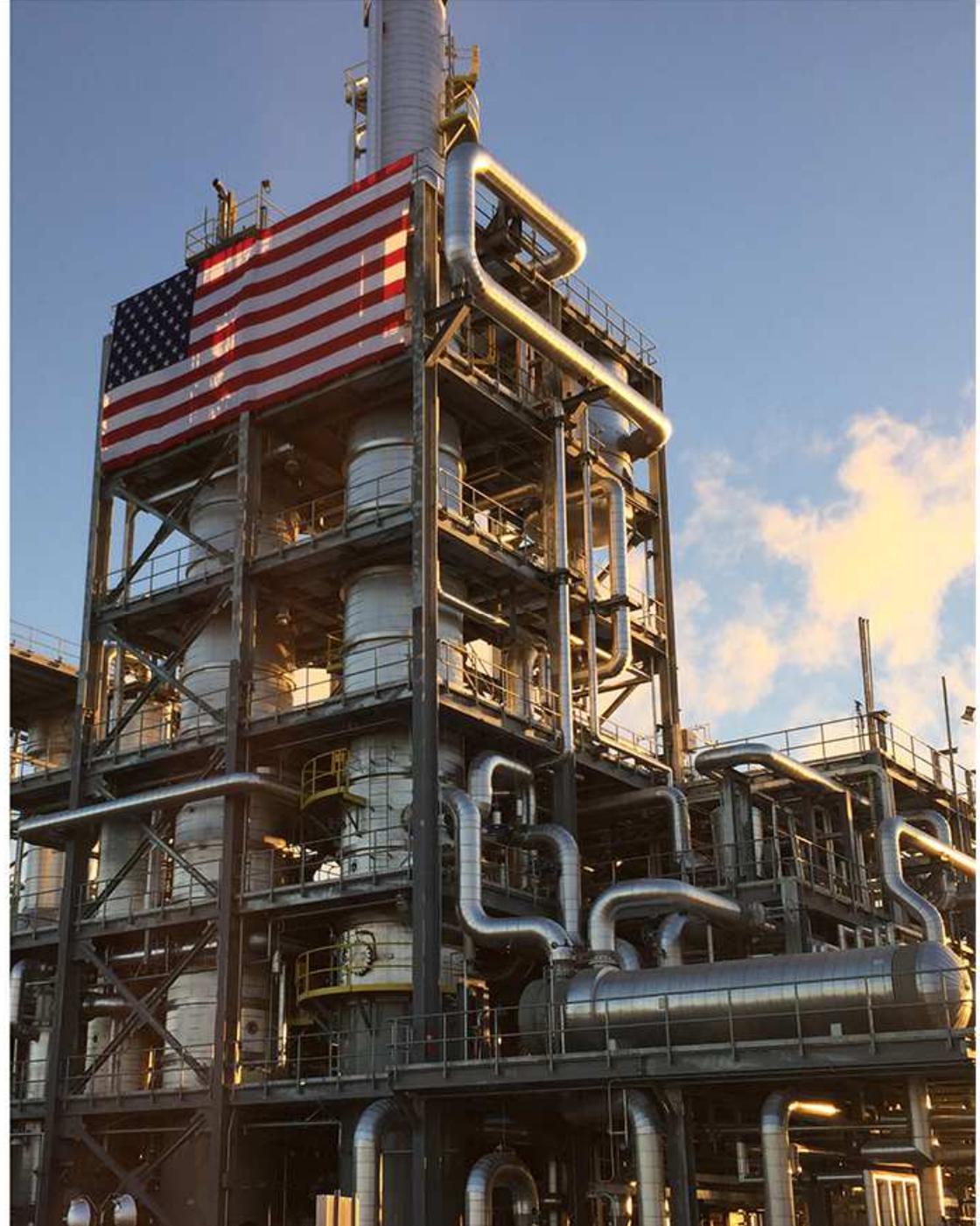
Abengoa has a website, which was recently renewed and updated, that features far-reaching and comprehensive content, including information and documentation made available to the public and, in particular to shareholders. This website offers periodic information (quarterly and half-yearly) as well as 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

Since December 31, 2014, 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.

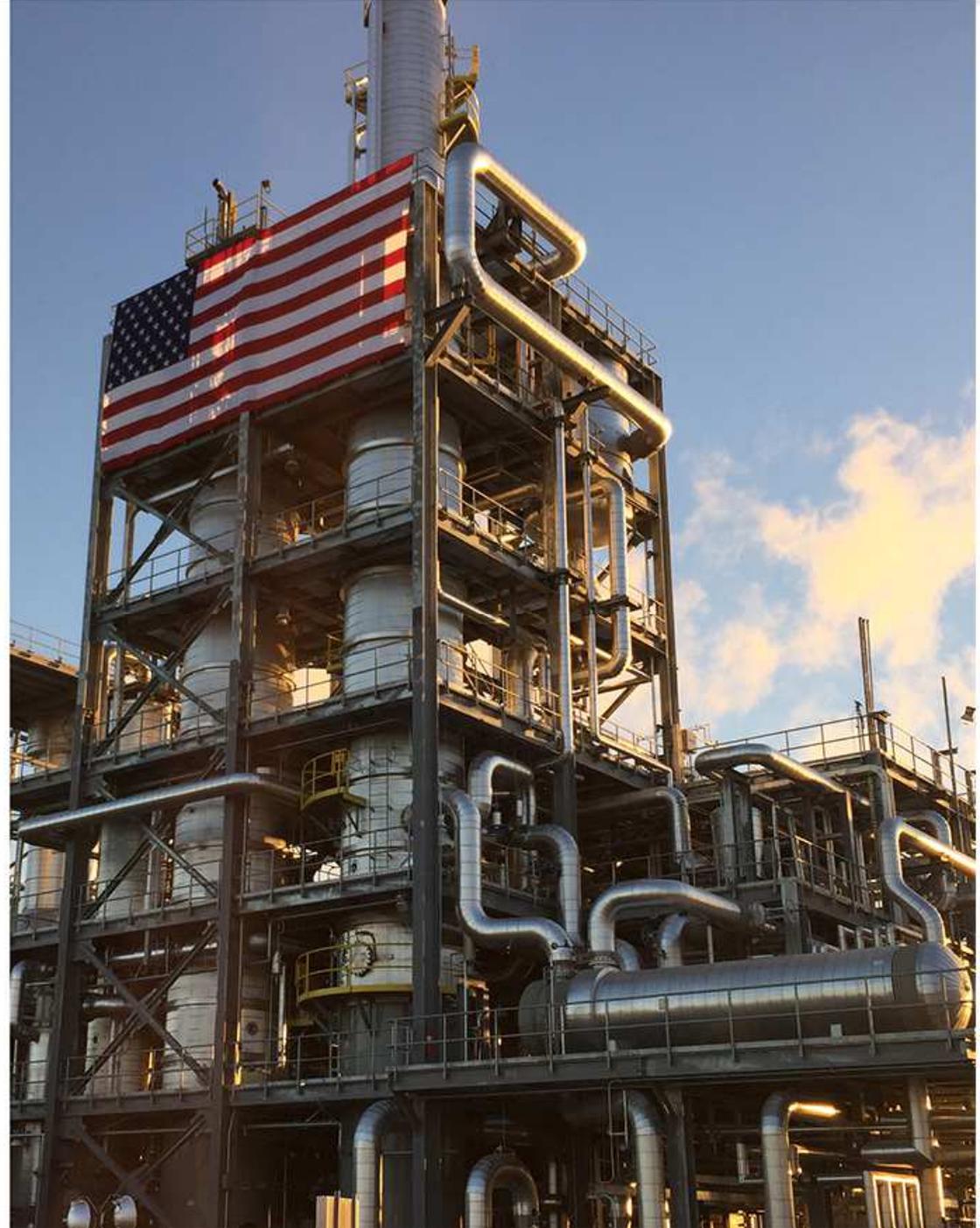


# Appendix to consolidated management report





# 03.1 Annual corporate governance report



## A. Ownership Structure

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

Date of Last Modification	Share capital (€)	Number of shares	Number of voting rights
4-11-2014	91,798,900,80	839,769,720	9,179,890,080

Indicate whether there are different types of shares with different associated rights:

Yes

Class	Number of shares	Nominal unit	Unit number of voting rights	Different rights
A	84,243,640	1	100	Without different rights
B	755,526,080	0.01	1	See the Other Information of Interest section at end of report

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

Personal or Corporate Name of the shareholder	Number of direct voting rights	Direct owner of shares	Number of voting rights	% of total voting rights
Inversión Corporativa, I.C, S.A	4,606,269,505	Finarpisa, S.A	568,379,032	50.178%
Finarpisa, S.A.	568,379,032			6.192%

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

Not applicable.

A.3 Complete the following tables on company board members with 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	414,170.00	Ardachon, S.L.	4,300,905.00	0.0513
Aplidig S.L.	4,737,756.00		-	0.0516
Manuel Sánchez Ortega	913,167.00		-	0.0099
Jose Joaquín Abaurre Llorente	9,870		-	0.0001
José Luis Aya Abaurre	465,301		-	0.005
Mª Teresa Benjumea Llorente	1,288,560.00		-	0.0140
Javier Benjumea Llorente	404,352.00		-	0.0044
José Borrell Fontelles	71,695.00		-	0.00078
Mercedes Gracia Díez	2,500.00		-	0.0000
Ricardo Hausmann	0		-	0.0000

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	
Ricardo Martínez Rico	2,565.00	-	-	0.0000
Claudi Santiago Ponsa	20,800.00	-	-	0.00022
Ignacio Solís Guardiola	1,768,000.00	-	-	0.0192
Fernando Solís Martínez-Campos	5,286,528.00	Dehesa del Mesto, S.A.	3,581,760.00	0.0966
Carlos Sundheim Losada	247,118.00	-	-	0.0026
Alicia Velarde Valiente	41,600.00	-	-	0.00045

**% total of voting rights held by board of directors** **0.2561**

Notwithstanding the above, following the close of the financial year, on January 19, 2015, Aplidig S.L. (Prof. Mr. José B. Terceiro) resigned from all posts it (he) held on the Company's Board of Directors and its Commissions.

Likewise, in that same meeting of the Board of Directors and to fill in the vacancy originated as consequence of the resignation of Aplidig S.L. (Prof. Mr. José B. Terceiro), following a proposal of the Appointments and Remunerations Commission, the Board unanimously agreed to appoint Mr. Antonio Fornieles Melero as Independent Director, as Second Vice-chairman, as member of the Audit Commission, as member of the Appointments and Remunerations Commission and as Lead Independent Director, for the statutory period of four years. The number of voting rights held by Mr. Antonio Fornieles Melero is 0.

Finally, in that same meeting of the Board of Directors and following a proposal of the Appointments and Remunerations Commission, the Board unanimously agreed to appoint Mr. Manuel Sánchez Ortega as first vice chairman of the Company. Such an appointment does not affect his delegated powers as CEO. Consequently, Mr. Manuel Sánchez Ortega now holds both the offices of First Vice-chairman and CEO.

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

Not applicable

A.4 Indicate, where applicable, any family, business, contractual or corporate relations between owners of significant shareholdings, insofar as these are known by the company, unless they bear little relevance or arise from 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 relations between owners of significant shareholdings on the one hand, and the company and/or its group on the other, unless these bear little relevance or arise from ordinary trading or course of business:

Not applicable

A.6 Indicate whether any shareholders' agreements affecting the company have been communicated to the company pursuant to Art. 530 and 531 of the Spanish Law on Corporations. If so, provide a brief description and list the shareholders bound by the agreement:

Participants of the agreement	% of equity capital affected	Brief description of pact
Finarpisa, S.A. Inversión Corporativa, I.C., S.A.	56.369%	<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-selection or substitution of board member to represent First Reserve Corporation. By virtue of said agreement, Inversión Corporativa IC SA and Finarpisa SA jointly agreed to vote in favour of: (a) 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 to the shareholders of Abengoa, during the next general meeting, 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.	56.369%	<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. 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 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.	56.369%	<p>On August 27, 2012, Abengoa S.A. entered a shareholder agreement with its top shareholder, Inversión Corporativa, I.C., S.A by virtue of which the latter warrants and undertakes, the following, directly or indirectly, 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 assembly 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) to not 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>

Specify whether the company is aware of the existence of any concerted actions among its shareholders. If so, provide a brief description:

Not applicable

Expressly indicate any amendments to, or terminations of such accords or concerted actions during the year:

No

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 50.178% of the equity capital of Abengoa, S.A. and an indirect holder of 6.192% 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:

Class of shares	Number of direct shares	Number of indirect shares (*)	% Total on Capital Stock
Class A Shares	5,550,532	0	6.046%
Class B Shares	36,073,733	0	0.392%
Total	41,624,265	0	6.439%

(\*) Held through:

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

Total -

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

Communication Date	Total of direct shares acquired	Total of indirect shares acquired	Total on Capital Stock
23-01-2014	93,426,374	0	1.017
24-02-2014	92,697,860	0	1.016
13-03-2014	95,455,919	0	1.046
3-04-2014	97,744,480	0	1.071
22-04-2014	91,987,300	0	1.008
29-05-2014	95,415,243	0	1.037
20-06-2014	97,205,913	0	1.056
23-07-2014	94,686,178	0	1.029
28-08-2014	92,599,035	0	1.007
25-09-2014	92,782,875	0	1.009
20-10-2014	100,061,800	0	1.088
3-11-2014	94,437,640	0	1.027
20-11-2014	98,275,300	0	1.068
1-12-2014	101,764,100	0	1.109
12-12-2014	92,206,638	0	1.004

A.9 Provide details of the conditions thereof and the current timeframes thereto that shareholders conferred upon the Board of Directors to issue, repurchase or transfer treasury stock.

The Ordinary General Meeting of Shareholders held on April 6 2014 authorized the Board of Directors to buy back the Company's shares either directly or through its subsidiary or investor 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 Corporate Law.

Thus, the authorization conferred upon the Board of Directors for the same purposes, by virtue of the decision taken at the Shareholders' Ordinary General Meeting held on April 7, 2013, was specifically revoked.

On November 19 2007, the company signed a Liquidity Agreement regarding Class A shares with Santander Investment Bolsa, S.V. In replacement of said Liquidity Agreement, on January 10 2013, the company signed a Liquidity Agreement regarding class A shares, pursuant to the conditions set forth in Circular 3/2007, of December 19, of the CNMV.

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

On December 31 2014 the treasury stock amounted to 41,624,265 shares, out of which 5,550,532 are Class A and 36,073,733 are Class B.

Regarding transactions performed during the financial year, the acquired treasury stock amounted to 183,363,281, out of which 14,237,018 were Class A and 169,126,263 Class B, and treasury stock sold amounted to 181,748,323, out of which 14,069,382 were Class A while 167,678,941 were Class B, The net result of the transactions amounted to 1,614,958 shares.

A.10 Indicate whether there are any restrictions on the transferability of stocks and/or any restrictions on the voting rights. In particular, issue report on the existence of any kind of restrictions that could impede 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 Law 6/2007.

No

#### Where applicable, explain the approved measures and terms under which restrictions will be rendered ineffective:

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

Yes

#### If so, indicate the various classes of shares and, for each class of shares, the rights and obligations entailed therein.

Class B shares are also listed in NASDAQ Global Select Market through "American Depositary Shares" represented by "American Depositary Receipts" (with five class B shares interchangeable by one American Depositary Share).

## B. General Meeting

B.1 Indicate and detail the differences, if any, between the quorum required and what is set forth in the Spanish Corporate Law (LSC) for convening the General Shareholders' Meeting.

No

### Description of the Differences

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

No

### Describe how it is different from the system envisaged by the LSC

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

Article 11 of the rules and regulations of the General Meeting establishes a special quorum that may enable the ordinary or extraordinary general assembly to validly agree on bond issuance, on capital increase or decrease, on changing, merging or splitting of the company and, in general, on any amendments whatsoever to the Bylaws, thus requiring, on the first call, the attendance of shareholders present or represented with at least fifty percent of the subscribed equity with voting rights and, on the second call, only requiring the attendance of twenty-five percent of said capital. 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 bylaw amendment matters:

"1<sup>†</sup> Separate voting in matters regarding the amendment of bylaws or agreements and other operations that may negatively affect class B shares

Bylaw or agreement amendments that may directly or indirectly damage or negatively affect the pre-emptive rights or privileges of class B shares (including any amendments to the precautionary bylaws regarding class B shares or any agreements 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 being approved pursuant to the stipulations of these bylaws, the approval of 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 precautions 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 previously 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 non-identical manner, in terms and conditions, in price or otherwise therein, and which may exceed what is produced under the framework of ordinary operation of treasury stock or which may cause amortization of shares or the reduction of capital in 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 rights 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 to these bylaws, simultaneously and identically for class A, class B and, as the case may be, class C shares"

[...]

“2<sup>nd</sup> Separate voting in matters regarding the amendment of bylaws or agreements and other operations that may negatively affect class B shares

Notwithstanding Article 103 of the Corporate Law, amendments 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 to the precautionary bylaws relating to class C shares or to any agreement 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 require, in addition to approval pursuant to the stipulations of these bylaws, 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 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 previously 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 otherwise, 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 the 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 non-identical manner, in terms and conditions, in price or in any other manner, and which may exceed what is produced under the framework of ordinary operation of treasury stock or which may cause amortization of shares or reduction of capital in 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 Corporate Law, 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.”

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				Total
	% of physical presence	% of proxy	% of absentee voting		
			Electronic voting	Others	
6-4-2014	7.172	65.014	0.00	65.014	72.185
7-4-2013	63.60	4.89	0.00	4.89	68.48

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

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 liquidating 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 address of the Abengoa SA Website is [www.abengoa.com/es](http://www.abengoa.com/es) and all the necessary and updated information relating to shareholders meetings can be found under the section of Shareholders and Corporate Governance.

The complete link to be followed:

[http://www.abengoa.es/web/es/accionistas\\_y\\_gobierno\\_corporativo/juntas\\_generales/](http://www.abengoa.es/web/es/accionistas_y_gobierno_corporativo/juntas_generales/)

In compliance with article 539.2 of the Corporate Law, Abengoa approved the regulations for the electronic forum for shareholders 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:

- › Proposals intended for inclusion as part of the agenda outlined in the call for the general shareholders' meeting.
- › 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	16
Minimum number of board members	3

#### 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
Mr. Felipe Benjumea Llorente		Executive Chairman	25/06/1983	07/04/2013	Voting Rights in Shareholders' Meetings
Aplidig, S.L.	Prof. Mr. José B. Terceiro Lomba	Executive Vice-Chairman. Lead Director	15/04/2007	10/04/2011	Voting Rights in Shareholders' Meetings
Mr. Manuel Sánchez Ortega		Managing Director (CEO)	25/10/2010	10/04/2011	Voting Rights in Shareholders' Meetings
Mr. José Joaquín Abaurre Llórente		Director	25/06/1988	7/04/2013	Voting Rights in Shareholders' Meetings
Mr. José Luis Aya Abaurre		Director	25/06/1983	7/04/2013	Voting Rights in Shareholders' Meetings
Ms. María Teresa Benjumea Llórente		Director	15/04/2007	10/04/2011	Voting Rights in Shareholders' Meetings
Ms. Javier Benjumea Llórente		Director	25/06/1983	7/04/2013	Voting Rights in Shareholders' Meetings
Prof. Mr. José Borrell Fontelles		Director	27/07/2009	7/04/2013	Voting Rights in Shareholders' Meetings
Prof. Ms. Mercedes Gracia Diez		Director	12/12/2005	6/04/2014	Voting Rights in Shareholders' Meetings
Mr. Ricardo Martínez Rico		Director	24/10/2011	01/04/2012	Voting Rights in Shareholders' Meetings

Personal or Corporate Name of board member	Representative	Seat on the Board	Date of 1st appt.	Date of last appt.	Election procedure
Mr. Ricardo Hausmann		Director	06/04/2014	06/04/2014	Voting Rights in Shareholders' Meetings
Mr. Claudi Santiago Ponsa		Director	23/02/2012	01/04/2012	Voting Rights in Shareholders' Meetings
Ms. Ignacio Solís Guardiola		Director	15/04/2007	10/04/2011	Voting Rights in Shareholders' Meetings
Ms. Fernando Solís Martínez-Campos		Director	15/04/2007	10/04/2011	Voting Rights in Shareholders' Meetings
Ms. Carlos Sundheim Losada		Director	15/04/2007	10/04/2011	Voting Rights in Shareholders' Meetings
Ms. Alicia Velarde Valiente		Director	06/04/2008	01/04/2012	Voting Rights in Shareholders' Meetings

**Total number of Board members 16**

Notwithstanding the above, on January 19, 2015, Aplidig S.L. (Prof. Mr. José B. Terceiro) resigned from all posts held on the Company's Board of Directors and its commission. Mr. Antonio Fornieles Melero was appointed to replace it (him) as Independent Director, Second Vice-chairman and Lead Independent Director. Mr. Manuel Sánchez Ortega was appointed as First Vice-chairman, combining this office with that of CEO.

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

None





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 nature of such board members:

	Number of Female Board Members				% of total of board members in each typology			
	Date of Change				Previous Conditions		Current Conditions	
	Financial Year t	Financial Year t-1	Financial Year t-2	Financial Year t-3	Financial Year t	Financial Year t-1	Financial Year t-2	Financial Year t-3
Executive	0	0	0	0	0	0	0	0
Proprietary	1	1	1	1	14.28	14.28	12.5	14.28
Independent	2	2	2	2	40	50	50	40
Other External	0	0	0	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>18.75</b>	<b>20</b>	<b>20</b>	<b>20</b>

C.1.5 Explain, as the case may be, the measures taken by the company to ensure that females are included on the Board of Directors in a number that may ensure the male/female equilibrium.

#### Explanation of the measures

Five of the members of the Board of Directors are independent and two of those are female. The appointments and remunerations Commission promotes the inclusion of females on to the board of directors, specifically focusing on the posts of independent board member since the rest of the other member-posts that make up the Board are proprietary board member posts whose selections do not directly depend on the Commission. Thus, Abengoa ensured that the number of women is representative based on the number of independent members by applying the policy established in Article 1 letter a and b of the regulations of the Appointments and Remunerations Commission which specifically outlines the quest for equal opportunities: "Article 1 - Composition and Structure". [...] "The Appointments Commission 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 a conscious effort to include females in the target profile among the candidates for board places."

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 Commission, 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

C.1.6 Explain the measures, as the case may be, that the Appointments Commission 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 Commission objectively and transparently assess the potential candidates based on merit criteria, promoting male and female equality and rejecting all kinds of direct or indirect discrimination based on sex.

The Commission, 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:**

#### 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, where applicable, the reasons why proprietary members were appointed at the request of shareholders with stakes amounting to less than 5% of the share capital:

Personal or Corporate Name of the shareholder	Reason
Mr. Claudi Santiago Ponsa	<p>On November 9, 2011, Inversión Corporativa IC SA and Finarpisa SA, in the capacity as shareholders of Abengoa, 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-selection or substitution of board member to represent First Reserve Corporation.</p> <p>By virtue of said commitment, among other things, Inversión Corporativa I.C., S.A. and Finarpisa, S.A., jointly agreed on the following:</p> <p>(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 Corporate Law; and (b) the proposal to recommend that during the next meeting of the general Meeting the Shareholders of Abengoa appoint, as the case may be, a replacement for the board member designated by investor on the Board of Directors.</p> <p>(ii) to vote in the corresponding general assembly 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.</p>

**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 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, as the case may be, the powers delegated by any Chief Executive Officers:

Name or denomination of director	Brief description
Mr.Felipe Benjumea Llorente	All board powers except for those that cannot be delegated pursuant to the law and the bylaws.
Mr. Manuel Sánchez Ortega	All board powers except for those that cannot be delegated pursuant to the law and the bylaws

C.1.11 Identify, if possible, the board members holding administrator or management posts 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. Mr. José B. Terceiro	Bioetanol Galicia S.A	Executive Chairman
Mr. Javier Benjumea Llorente	Abengoa Bioenergía, S.A.	Executive Chairman
	Abengoa Solar, S.A.	
Ms. María Teresa Benjumea Llorente	Sociedad Inversora en Energía y Medio Ambiente, S.A.	Board Member
	Abengoa Bioenergía, S.A.	Director
	Abengoa Solar, S.A.	Director
Mr. Manuel Sánchez Ortega	Gestión Integral de Recursos Humanos, S.A	Executive Chairman
	Abengoa Yield, plc	Chairman

Notwithstanding the above, on January 19, 2015, Aplidig S.L. (Prof. Mr. José B. Terceiro) resigned from all posts it (he) held on the Company's Board of Directors and its commissions.

C.1.12 Provide details, where applicable, 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 Boards on which its own Board members may sit:

No

**Explanation of the rules**

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)	15,833
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)	15,833

C.1.16 Identity any senior management staff who is not also an executive board member, and indicate the total remuneration payable thereto during the financial year:

Personal or Corporate Name	Post
Javier Garoz Neira	Director of Bioenergía
Alfonso González Domínguez	Director of Engineering, Industrial Construction & Latin America
Santiago Seage Medela	Director of Concessions
Carlos Cosin Fernández	Director of Abengoa Water
Manuel Doblará Castellano	Director of Abengoa Research
Armando Zuluaga Zilbermann	Director of Abengoa Solar
Enrique Aroca Moreno	Director General of Simosa IT
Daniel Alaminos Echarri	Secretary General
Miguel Angel Jiménez-Velasco Mazarío	Director of Compliance
José Domínguez Abascal	Assistant Secretary General
Álvaro Polo Guerrero	Director of Human Resource
Luis Fernández Mateos	Director of Organizations and Budget
Jesús Angel García-Quilez Gómez	Co-CFO Financial Markets
Juan Carlos Jiménez Lora	Director Planning and Control and Remunerations
Luis Enrique Pizarro Maqueda	Director of Internal Audits
Enrique Borrajo Lovera	Director of Consolidation
Bárbara Sofía Zubiria Furest	Co-CFO Capital Markets & IR
German Bejarano García	Director of International Institutions Relations
Fernando Martínez Salcedo	Secretary General of Sustainability

**Total of Remunerations for Senior Staff**

**11,351**

Notwithstanding the above, effective February 1, 2015, Mr. Ignacio García Alvear replaced Bárbara Zubiría Furest as Co-CFO Capital Markets & IR. Furthermore, in 2015 Mr. Fernando Martínez Salcedo has also ceased to be member of the senior management.

**C.1.17 Identify, as the case may be, the members of the Board of Directors who are also members of the board of directors of significant shareholding companies and/or in entities of their group:**

<b>Personal or Corporate Name of board member</b>	<b>Corporate name of significant shareholder</b>	<b>Post</b>
Mr. Felipe Benjumea Llorente	Inversión Corporativa, IC, S.A.	Executive Chairman
Mr. Felipe Benjumea Llorente	Finarpisa, S.A.	Executive Chairman
Mr. Javier Benjumea Llorente	Inversión Corporativa, IC, S.A.	Member
Mr. Ignacio Solís Guardiola	Inversión Corporativa, IC, S.A.	Member
Mr. Fernando Solís Martínez Campos	Inversión Corporativa, IC, S.A.	Member
Mr. José Luis Aya Abaurre	Inversión Corporativa, IC, S.A.	Member
Mr. José Joaquín Abaurre Llorente	Inversión Corporativa, IC, S.A.	Member

**Provide details, where applicable, of any relevant relations 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:**

Yes.

**Description of Amendments**

By virtue of the Board of Directors decision taken on October 20 2014, Article 29 of the Board of Directors Regulations was added to reflect the creation of the Strategy

and Technology Commission. Said commission shall comprise of three Board Members minimum, appointed by the Board of Directors. More than half of them shall be non-executive Board Members. The appointment shall be for a period of four years, renewable for same periods maximum. Their primary functions will be to:

- › Analyse basic issues relating to technology and strategy, in consensus manner, that may affect Abengoa, including the studying or entrusting the study of products and services that make up of may make up Abengoa’s portfolio.
- › Prospectively analyse the possible evolution of Abengoa’s business based on its own or third party technology developments.
- › Supervise the R+D policy and investments and Abengoa’s strategic lines of technology development.
- › Analyse and supervise the main activities related to technology in Abengoa, such as patent portfolios, their management, innovation introduction, etc.
- › Gather information on the organization and personnel of the company through the Executive Chairman of Abengoa.
- › Inform the Board of Directors, or its Executive Chairman, on whatsoever matters it may require in relation to Abengoa’s strategic and technology development.
- › All other matters relating to aspects of its authority that may be requested of it by the Board of Directors or its Executive Chairman

Likewise, after the fiscal year close, by virtue of the Board of Directors decision taken on January 19 2015, Article 22 of the Board of Directors Regulations was amended to add the following paragraph:

“The Board of Directors will be entitled to designate the lead independent director referred to in article 529 septies of the Companies Act as second vice-chairman of the board of directors”.

**C.1.19 Indicate the procedures for the selection, appointment, reappointment, appraisal and removal of Board members. Provide details of the authorised bodies, the procedures to follow and criteria to employ in each of the procedures.**

The Appointments and Remunerations Commission is the body authorised in all cases to provide the Board of Directors with duly substantiated proposals, applying the criteria of independence and professionalism as established in the regulations governing the Board and the Commission.

The performance of the board members and of the executive board members is assessed on the Appointments Commission'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 assessment criteria.

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

In February 2004 the composition of both Commissions was modified to permit independent board members from outside the company to become members of said commissions. Consequently, the Audit Commission and that of Appointments and Remunerations now comprised of non-executive board members, all of them independent, as required in the Financial System Reforms Law. Since there was as yet no appointments commission, the first two independent board members were appointed by the board of directors, as is logical. Said independence is also ratified on annual basis by the Appointments Commission. 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 Commission 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 Commission 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 annual report of the corporate governance. The appointments commission 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 beforehand on 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 board of directors itself.

In relation with 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 in 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 Amendments

There were no amendments

#### 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:

- › If they are involved in any of the supposed incompatibilities or prohibitions envisaged by law.
- › If deemed severely liable by any public authority for infringing upon their obligations as board members.
- › 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 assumptions 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:
  - If they are involved in any of the supposed incompatibilities or prohibitions envisaged by law.
  - If deemed severely liable by any public authority for infringing upon their obligations as board members.
  - 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 Commission and the appointments and remunerations Commission, respectively.

These Commissions 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 are exclusively comprised of independent and non-executive board members.

On December 10, 2007, the board of directors decided to appoint Prof. Mr José B. Terceiro Lomba (representing Aplidig 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. Notwithstanding the above, on January 19, 2015, Aplidig S.L. (Prof. Mr. José B. Terceiro) resigned from all posts it (he) held on the Company's Board of Directors and its commissions.

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. Said appointment was ratified by the General Shareholders' Meeting on April 10, 2011. 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 sixteen 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 may be held 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 Commission, the appointments and remunerations Commission and, more recently, the strategy and technology commission, each of which has its 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](http://www.abengoa.es) and [www.abengoa.com](http://www.abengoa.com).

Since it was formed, the appointments and remunerations Commission 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 commission recommended the creation of the post of Lead Director, and the elimination of the Board of Directors' Advisory Board. The first measure was in order to incorporate the corporate governance recommendations prepared 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. Mr José B. Terceiro was appointed (on behalf of Aplidig, S.L.) as Lead Director, in his capacity as independent member, until January 19, 2015, when he (it) was replaced by Mr. Antonio Fornieles Melero. On a final note, in October 2007 the commission proposed that the board should accept the resignation of Mr. Javier Benjumea Llórente from his post as Deputy Chairman and should also revoke his delegated powers, and should likewise accept the appointment of a new natural person to represent Abengoa and Focus-Abengoa Foundation in entities or companies where representation is required.

The commission 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 commission thought it necessary to restrict the powers of the Deputy Chairman of Abengoa to those conferred under the Spanish Corporate Law with regards to 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, 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 commission proposed Aplidig, S.L. (Aplidig, represented by Prof José B. Terceiro Lomba), the then Lead 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 Aplidig, S.L. (represented by Prof José B. Terceiro Lomba), the then Lead Director, as Executive Deputy Chairman of the Board of Directors, and the independent board members unanimously consented to it retaining its post as coordinating board member in spite of its 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.

Notwithstanding the above, as indicated, on January 19, 2015, Aplidig S.L. (Prof. Mr. José B. Terceiro) was replaced by Mr. Antonio Fornieles Melero as Lead Independent Director, with the powers set forth in article 529 septies of the Companies Act, and Second Vice-chairman, the latter being non-executive.

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

No

**Description of the differences**

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

**Maximum number of years of mandate**

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.

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, where applicable, 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:

<b>Number of board meetings</b>	<b>18</b>
<b>Number of board meetings without the attendance of the Chairman</b>	<b>0</b>

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

<b>Number of meetings of the Executive or Delegate Commission</b>	<b>Not applicable.</b>
Number of meetings of the Audit commission	7
Number of meetings of the Appointments and Remunerations commission	6
Number of meetings of the strategy and technology commission	2
Number of meetings of the Appointments commission	Not applicable.
Number of meetings of the Remunerations commission	Not applicable.
Number of meetings of the Appointments commission	Not applicable.

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

<b>Attendance of Board Members</b>	<b>16</b>
<b>% of attendance of total votes cast during the year</b>	<b>96.11</b>

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

Yes

**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:**

<b>Name</b>	<b>Post</b>
Enrique Borrajo Lovera	Director of Consolidation

C.1.32 Explain, if any, the mechanisms that the board of directors put in place to prevent the board-prepared individual and consolidated financial statements from being presented at shareholders' general meeting with reservations in the audit report.

The risk control system, the internal audit services and the audits Commission 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 Commission 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 secretary to the Board 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 commission and approved by plenary session of the Board.

**Appointment and Removal Procedure**

The appointments and remunerations Commission makes the proposal

	<b>Yes</b>	<b>No</b>
Does the Appointments Commission report on appointments?	x	
Does the Appointments Commission report on dismissals?	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 that the recommendations on good governance are followed?**

No

**Comments**

The compliance officer is in charge of ensuring follow-ups on corporate good governance recommendations and at the same time in charge of ensuring compliance with the internal rules and regulations.

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

Article 27 of the Board of Directors Regulations establishes the function of the audits Commission 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

**Explanation of the disagreements**

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

	Company	Group	Total
Fees for non-audit work (in thousands of Euros)	292	2,104	2,396
Fees for non-audit work/total amount invoiced by the audit firm (in %)	37%	30%	43%

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

No

**Explanation of the reasons**

C.1.39 State the number of consecutive years for which the current audit firm has been auditing the annual accounts 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 annual accounts have been audited:

	Company	Group
Number of consecutive years	3	3
Number of years audited by the current auditing company / number of years the company has been audited	0.12	0.12

C.1.40 Indicate and, if possible, 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. Currently, the office of secretary and legal consultant are not vested in the same person responsible for ensuring that meetings are validly convened and that resolutions are validly adopted by 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 that 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

Remitting of 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 rules

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 suppositions 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.

**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 Corporate Law:

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.

The Company has not entered into any significant agreements that become effective, are amended or concluded as a consequence of a change in the company's control through a hostile takeover bid. However, the Company has entered into a bulk of agreements and financial contracts that could be terminated in case of a change in the control majorities of the Company, change that does not always occur in case of a takeover bid.

**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:**

## C.2 Commissions of the Board of Directors

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

### Audits Commission

Name	Post	Typology
Prof. Ms. Mercedes Gracia Díez	Chairperson	Independent
Prof. Mr. José Borrell Fontelles	Member	Independent
Ms. Alicia Velarde Valiente	Member	Independent
% of executive board members	0	
% of proprietary board members	0	
% of independent board members	100	

### Appointments and Remunerations Commission

Name	Post	Typology
Prof. Mr. José Borrell Fontellés	Executive Chairman	Independent
Ms. Alicia Velarde Valiente	Member	Independent
Prof. Ms. Mercedes Gracia Díez	Member	Independent
% of executive board members	0	
% of proprietary board members	0	
% of independent board members	100	

On January 19, 2015, the Independent Director, Mr. Antonio Fornieles Melero, was appointed as member of this Commission.

### Strategy and Technology Commission

Name	Post	Typology
Aplidig, S.L. (represented by Prof. Mr. José B. Terceiro)	Executive Chairman	Executive
Mr. José Luis Aya Abaurre	Member	External Proprietary Director
Mr. Jose Joaquín Abaurre Llorente	Member	External Proprietary Director
Mr. Ricardo Martínez Rico	Member	Independent
% of executive board members	25	
% of proprietary board members	50	
% of independent board members	25	

On January 19, 2015, Aplidig, S.L. (represented by José B. Terceiro Lomba) was replaced as chairman by Mr. José Borrell Fontelles

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

	Number of Female Board Members			
	Financial Year t %	Financial Year t-1 %	Financial Year t-2 %	Financial Year t-3 %
Executive Commission	NA	NA	NA	NA
Audits Commission	2 (66.66)	2(40)	2 (40)	2 (40)
Appointments and Remunerations Commission	2(66.66)	2(40)	2(40)	2(40)
Appointments Commission	NA	NA	NA	NA
Strategy and Technology Commission	0	NA	NA	NA
Remunerations Commission	NA	NA	NA	NA

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

	Yes	No
Monitoring 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.	x	
Frequently assessing the internal control and risk management systems, so that the main risks are adequately identified, managed and made known.	x	
Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, re-election and removal of the head of internal audit; 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.	x	
Establish and supervise a mechanism by which employees may secretly and, if necessary, anonymously, report potentially significant irregularities,	x	
especially those of financial and accounting, with potentially serious implications for the company	x	
Presenting proposals to the Board of Directors for the selection, appointment, re-selection and replacement 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	

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

**Committee name**

Appointments and Remunerations Commission

**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 posts pursuant to the

legal and bylaw provisions and to the general policy of remunerations and incentives for them and for senior management.

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 management and for 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 them to properly perform 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 the 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 an annual report on the activities of the Appointments and Remunerations Commission, to be included in the management report.

### Committee name

Audits Commission

### Brief description

1<sup>st</sup> In relation to the internal monitoring and reporting systems:

- › To know the process of the company's financial reporting and internal monitoring systems.
- › 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 audit and, when applicable, on the accounting criteria applied.
- › Monitoring 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.
- › Frequently review the systems for the internal monitoring, internal auditing 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.
- › Establish and supervise a mechanism by which 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.
- › Summon any company employee or manager, and even order them to appear before the Commission without the presence of any other senior officer.
- › Supervise compliance with the Internal Code of Conduct in relation to the Securities Market and the Policy on the Use of Relevant Information and the Rules of Corporate Governance.

› Before the Board of Directors take the relevant decisions, the Audits Commission must have informed said board on the following points:

- The financial information that all listed companies must periodically disclose. The Commission must 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.
  - 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.
  - Associated transactions.
  - Of any change in the accounting criteria, and any risks either on or off the balance sheet.
- › Inform the Shareholders' General Meeting on matters and questions posed by shareholders, on issues within its powers.
  - › Summon any Board Members as deemed appropriate to attend Commission meetings, to report on whatsoever the Audits Commission may require thereof.
  - › To prepare annual reports on the activities of the Audits Commission itself and to include it in the Management Report.

2<sup>nd</sup> In relation to external auditors:

- › To propose the selection, appointment, re-selection and replacement of external auditors, including the conditions of their hiring, to the Board of Directors to submit said proposal to the General Meeting of Shareholders for approval.
- › 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 senior management act upon the recommendations.
- › To ensure the independence of the external auditor and, for that purpose:
- › 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;

- The Commission 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;
  - If an external auditor resigns the Commission must investigate the circumstances leading to the resignation.
- › Ensure that the group auditor is entrusted with conducting the audits for the individual group companies.
  - › 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.

#### Commission name

Strategy and Technology Commission

#### Brief description

The Strategy and Technology Commission shall comprise of at least three Directors appointed by the Board of Directors. More than half of the members shall be non-executive. The term of appointment shall be four years maximum, renewable for periods of equal duration.

The duties of the Strategy and Technology Commission are:

- › To jointly analyse any basic matters relating to technology and strategy that can affect Abengoa, including the preparation or assignment of studies on products and services that constitute or may constitute Abengoa's portfolio.
- › To perform prospective analysis on the possible evolution of Abengoa's businesses based on either personal or third party technological developments.
- › To supervise Abengoa's R+D policy and investments and its strategic lines of technological development.
- › To analyse and supervise the main activities relating to technology in Abengoa, such as patent portfolio, its management, implementation of innovations, etc.
- › To gather information on the organization and people of the company, through the Chairman of Abengoa.

- › o report whatsoever information thereto that may be required thereof by the Board of Directors or its Chairman, in relation to Abengoa's strategic and technological development.
- › Any others relating to any duty of its competence that may be requested by the Board of Directors or its Chairman.

C.2.5 Indicate, as the case may be, the existence of regulations of commissions 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 commission.

#### Commission name

Appointments and Remunerations Commission

#### Brief description

The appointments remunerations commission 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.

#### Commission name

Audits Commission

#### Brief description

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

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

Not applicable

**If no, explain the composition of the executive commission**

## D. Connected transactions and intra-group transactions

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

**Organ authorised to approve associate transactions**

Audits Commission

**Procedures for approving associate transactions**

The Audits Commission executes the initial approving procedures. Considerations are 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

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:

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

Personal or corporate name of manager or director	Personal or corporate name of associated party	Connection	Nature of the transaction	Amount (in thousand of Euros)
Felipe Benjumea Llorente	Blanca de Porres Guardiola	Spouse	Technical consultancy for the optimization of the CPA catering services	72
Ricardo Martínez Rico	Equipo Económico, S.L.	Chairman	Consultancy and strategic services rendered to Abengoa, Abengoa Concessions and Abeinsa	355

D.4 Report on the significant transactions between the company and other entities belonging to the same group provided they are not eliminated during the preparation of the consolidated financial statements and are not part of the normal company transactions with regards to its 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

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 Commission is the body responsible for monitoring and resolving conflicts of interest. In accordance with the provisions of the Board of Directors Regulations, board members are obliged to inform the board of any situation of potential conflict, in advance, and to abstain thereof until the commission reaches a decision.

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

No. However, Abengoa Yield, plc., a company pertaining to the Group, is listed in the US, in Nasdaq.

**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.**

Abengoa Yield, Plc. is a subsidiary of Abengoa, S.A. in which the latter holds 51,10%.

Abengoa Yield, Plc has entered into the following agreements:

- › A ROFO agreement entered into between Abengoa Yield, Plc and Abengoa, S.A. regarding any proposed sale, transfer or other disposition of any of Abengoa's contracted renewable energy, conventional power, electric transmission or water assets in operation located mainly in the United States, Canada, Mexico, Chile, Peru, Uruguay, Brazil, Colombia and the European Union.
- › Executive services agreement (resolved on 15 January 2015) between ACSL and Abengoa Yield

- › Support services agreement between Abengoa Yield and ACSL
- › Trademark license agreement between Abengoa and Abengoa Yield.
- › Call 12% agreement between Abengoa and Abengoa Yield
- › MOU non-binding between Abengoa and Abengoa Yield.

**State 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**

Protocol for Authorizing and Supervising related Transactions between Abengoa, S.A. and Abengoa Yield plc. approved by the Board of Directors of Abengoa, S.A. based on the proposal by its Audit Commission on May, 26, 2014.

## 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.

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

### E.2 Indicate the organs 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 Commission 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.

### 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 Form 20F, filed with the SEC on March 19, 2014, were considered:

#### 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.

#### **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**

Abengoa endured certain risks during the 2014 financial year, the most significant of which is treated below, putting in place the pertinent multi-annual action plans to enable us to exercise control over all of them.

Energy and the environment are part of the activities in which Abengoa is engaged. This activity is performed in changing surroundings, with regulations, subsidies or tax incentives that can be changed 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 amendment 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.

In the event that all or part of our renewable energy generation subsidy systems and incentive schemes were to be declared illegal in any jurisdiction in which we are operating, we would have to be in conditions to efficiently compete with the non-conventional renewable and other kinds of energy or we would 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 situation and, among others, the Regulations - Spain -Solar Regulatory Framework - Royal Decree Law 413/2014, which develops the principles established by 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, shortened, or may not be renewed, or may even be completely cancelled. Such possibilities may negatively affect the profitability of the current plants and our ability to finance future projects, something that could bear adverse material effects 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.

The following committees are in charge of the executive supervision of the company's main risks:

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

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

**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 control environment of the company

**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 SICFR; (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 Commission in accordance with the regulations thereof.

Thus, the Board of Directors is in charge of setting up and maintaining a compulsory Audits Commission as inferred from Article 27 of the Bylaws of the Board of Directors. Accordingly, the duties that the Board entrusts to the Audits Commission 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 and, by delegation, the Audits Commission, 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.
- 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 programme 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.

In 2014, 2,376,860 hours of training was imparted in the whole Group; (35,878 hours in Abengoa, S.A.); 153 employees were in attendance.

Abengoa's Code of Conduct::

- 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.

The Board of Directors is in charge of, and, by virtue thereof, its Chairman, Commissions set up, delegated commissions 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 commission, 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 Commission 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](http://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 the 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 2014 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.

## F.2 Financial Reporting Risk Assessment

At least reporting the following:

**F.2.1. Describe the main characteristics of the risks identification process, including those of error or fraud, with regards to:**

**If 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:

**Indicate whether the process covers the entire objectives of the financial reporting, (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; and rights and obligations), and whether it is updated and at what frequency.**

The URM is designed to cover all risks that are identified. Among them, a series of them that refer to the preparation and submission of the financial report, accounting records, the management of debt 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.

**Indicate whether there is 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 is subjected to revisions during each quarterly closing. The Consolidation department is in charge of analysing companies that enter and those that 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.

**Indicate whether the process considers 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, comprehension 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 belonging to 20 categories. These are grouped into 4 large areas (financial risks, strategic risks, regulatory risks and operational risks).

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

- › Occurrence Probability: 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.

### Which corporate governance body supervises the process?

The financial information preparation process is paramount responsibility of the Board of Administration. Pursuant to the regulations of the organ of administration, prior to the presentation of the financial information, it must first be certified by the Chairman of the Board and of the Corporate Directors of the department of Consolidation and Internal Auditing.

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

### F.3 Control Activities

Give a report pointing out the main characteristics, and indicate whether the following is at least included:

**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 documents describing the cash flows of activities and controls (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 the 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 Commission. With the support of the Internal Audits management, said Commission supervises the entire certification process, and then 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 Commission.

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 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.

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.

#### F.4 Information and communication

**Give a report pointing out the main characteristics, and indicate whether the following is at least included:**

F.4.1. A specific function entrusted with defining, continuously updating accounting policies (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, continuously updating the manual of the accounting policies 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 2014 financial year.

**F.4.2. Mecanismos de captura y preparación de la información financiera con formatos homogéneos, de aplicación y utilización por todas las unidades de la entidad o del grupo, que soporten los estados financieros principales y las notas, así como la información que se detalle sobre el SCII**

All the entities that make up Abengoa's consolidated group use the same financial information reporting tools and applications, regardless of the information system being used for the maintenance of the accounting records. Said tools, which are 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 years includes all breakdowns deemed necessary for the preparation of consolidated financial statements and their explanatory notes.

**F.5 Supervisión del funcionamiento del sistema**

**Give a 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 commission, and on whether the entity has an internal audits system that is empowered to support the commission in supervising the internal control system, including the SICFR. Also provide information on the scope of the assessment of the SICFR 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 Commission 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.

- › 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 Commission'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 Commission 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 seven functional areas:

- › Internal control
- › Financial Audit

- › Project Audit
- › Monitoring Audit of specific risks
- › Fraud Prevention Audit
- › Non-Financial Audit
- › Systems Audit

The team of internal auditors comprises of 56 professionals. The following are the characteristics of the team:

- › The average age of 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 70% of the auditors have previous experiences from one of the Big4 external auditing firms.

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 Commission.
- › To evaluate the companies' audit risk following an objective procedure.
- › To develop Work Plans using scopes that is convenient for each different situation.

Abengoa's internal auditor services are in line with the international standards for the professional practice of internal auditing, of the Institute of Internal Audit (IIA).

Likewise, Abengoa is a member of ACFE Corporate Alliance as of fiscal year 2014. This association helps companies with tools and specific formation focused on the fight against fraud and corruption, as well as resources to obtain the CFE (Certified Fraud Examiner) certification for internal auditors assigned to this area.

F.5.2. Indicate whether there is a discussion procedure by which, (in accordance with the stipulations of the NTA), the accounts auditor, the internal audits' office and all the other experts, may inform the entity's senior management, its audits Commission and its directors, on the significant weaknesses identified in the internal control during the revision of the financial statements or of all other documents entrusted to them. 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 Commission 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-financial director and the audits Commission an annual report detailing the weaknesses it detected in the internal control while performing its duties.

## F.6 Other information of interest

The external auditors issued five (7) reports during the 2014 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.
- › 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.
- › Voluntary audit report on the design of the Risk Management System following the ISO 31000 Standards and Specifications.

- › Voluntary report on the verification of the design and application of the anticorruption compliance system
- › Reasonable ensuring verification report on the assignment of funds of the Green Bond and its adequate assignment to the category of eligible green projects.

## F.7. Report from the External Auditor

### Issue report on:

**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 but, if not, it must provide the 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 and mandatorily as of 2014, 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, 2014, 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 sections: A.10, B.1, B.2, C.1.23 and C.1.24

Compliant

- › **2. If a parent and a subsidiary company are listed, both should provide detailed disclosure on:**

- **Their respective types of activities, and any business dealings between them, including between the listed subsidiary and other companies in the group;**
- **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 fundamental corporate restructuring, especially the following, are submitted to the General Shareholders' Meeting for approval or ratification:**

- The transformation of listed companies into holding companies through the process of "subsidiarisation", i.e. reallocating previous core activities of such company to subsidiaries, even if the latter may retain full control of the former;
- Any acquisition or transfer of key operating assets that would effectively alter the company's corporate purpose;
- Operations that effectively amount to the company's liquidation.

See section: 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:**

- To the appointment or ratification of directors, with separate voting on each candidate;
- 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

› **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 in fully reserves the right to approve:**

- 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 control systems
  - Dividend and treasury stock policies and especially their limits.

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

Compliant

- **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.**
- **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 associate transactions that simultaneously meet the following three conditions:**

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

**It is advisable that the Board approves associate transactions only if the audits commission or, as the case may be, any other commission assigned to that function, issues a favourable report; 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.**

**We also recommend that the aforementioned powers remain absolutely non-delegable with the exception of those mentioned in b) and c), which may be delegated to the executive committee in urgent cases and later ratified by the plenary session of the Board of Directors.**

See sections: D.1 and D.6

Compliant

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

See section: C.1.2

Partially compliant

At present the Board of Directors is comprised of sixteen (16) members in total although the fact is that said increase is as a result of the appointment of a new independent board member and such fact does not hinder the good and effective development of the sessions.

- › **10. External proprietary and independent board members should occupy an ample majority of board places, while the number of executive board members should be 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 independent 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 proportionality criterion could be relaxed to grant proprietary board members greater say than would otherwise correspond to the total percentage of capital represented:**

- **In companies with huge capital where few or no equity stakes attain the legal threshold of significant shareholdings, but where there are shareholders with considerable sums actually invested;**
- **2<sup>nd</sup> In companies with multiple but otherwise unrelated shareholders represented on the board.**

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

#### **Explain**

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.

Claudi 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 Commission was notified.

Notwithstanding the foregoing, the Company has also increased the number of independent directors with the appointment of Mr. Ricardo Hausmann and, more recently, Mr. Antonio Fornieles Melero.

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

See section: C1.3

#### **Explain**

Contrary to what the company has always done until now, complying with the recommendations of corporate good governance, the number of independent board members decreased to less than 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 in spite of the appointment of Mr. Ricardo Hausmann as independent board member.

However, after financial close, Mr. Antonio Fornieles Melero has been appointed independent director, which elevates the number of independent directors again to one third of the total directors.

- › **13. The condition of each board member should be explained at the general meeting of shareholders, which shall execute or ratify its appointment, with confirmation or, as the case may be, review in the Annual Corporate Governance Report, before verification by the appointments commission, 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 Commission should take steps to ensure that:**

- the process of filling board vacancies has no implicit bias against female candidates;
- 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 commissions.**

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

### Explain

There are currently sixteen 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 may be held in matters relating to the Stock Market. The General Meetings of the Shareholders Regulations governs the formal aspects and the

internal system for holding shareholders' meetings. Lastly, the board of directors is assisted by its audits commission and the appointments and remunerations commission, 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](http://www.abengoa.es) and [www.abengoa.com](http://www.abengoa.com). Since it was formed, the appointments and remunerations commission 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 commission recommended the creation of the post of Lead Director, and the elimination of the Board of Directors' Advisory Board. The first measure, to put in place 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 by the Board of Directors in February 2007 and at the General Meeting of Shareholders on April 15 of the same year and Prof. Mr José B. Terceiro, representing Aplidig S.L., was appointed coordinating board member, in his capacity as independent, on that date.

On a final note, in October 2007 the commission proposed that the board should accept the resignation of Mr. Javier Benjumea Llórente from his post as Deputy Chairman and should also revoke his delegated powers, and should likewise accept the appointment of a new natural person to represent Abengoa and Focus-Abengoa Foundation in entities or companies where representation is required.

The commission 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 commission deemed it necessary to restrict the powers of the Deputy Chairman of Abengoa to those conferred under the Spanish Corporate Law 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 commission proposed Aplidig, S.L. (Aplidig, represented by Prof José B. Terceiro Lomba), the then Lead 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 Aplidig, S.L. (represented by Prof José B. Terceiro Lomba), the then Lead Director, as Executive Deputy Chairman of the Board of Directors, and the independent board members unanimously consented that he retains the post of coordinating board member in spite of the 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.

Notwithstanding the above, as indicated, on January 19, 2015, Aplidig S.L. (Prof. Mr. José B. Terceiro) was replaced by Mr. Antonio Fornieles Melero as Lead Independent Director and Second Vice-chairman.

- › **17. Report whether the board secretary ensures that the board's actions:**
  - **adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;**
  - **are in conformity with the company Bylaws and the Regulations of shareholder Meetings, the Board of Directors and any others in the**

**company;**

- **comply 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 is proposed by the appointments commission and approved by the plenary session of the board of directors; and whether said appointment and termination procedure is 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 programme 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:**
  - The quality and efficiency of the board's operation;
  - The level of performance of the company's chairman and chief executive based on the report that may be submitted by the appointments commission;
  - The performance of commissions based on reports that they provide.

See sections: C.1.19 and C.1.20

Compliant

- › **22. All board members may act on the rights to 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

- › **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. The company should provide the suitable channels for the exercise of this right, extending in special circumstances to 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. Companies should make knowledge updating programs available to board members whenever the circumstances deem it advisable.**

Compliant

- › **25. Companies should insist that board members devote sufficient time and effort to perform their duties effectively, and, as such:**
  - board members should apprise the appointments commission of any other professional obligations that could possible interfere with the dedication required from them;
  - and that 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:**
  - On the proposal of the appointments commission, in the case of independent board members.
  - Subject to report from the appointments commission in all other cases.

See sections: C.1.3 and C.1.1.19

Compliant

- › **27. Companies should post the following information on the board members on their websites, and keep them permanently updated:**
  - Professional experience and background;
  - Other boards on which board member sits, whether listed company or not;
  - 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.
  - The date of their first and subsequent appointments as a members of company's board of directors, and;

- **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, and 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

- › **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 Commission 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 operation 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 Corporate Law, 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 and C.1.43

Compliant

- › **31. All board members should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independent and other board members unaffected by the possible conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.**

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.**

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 Commission required by the Securities Market Act, the Board of Directors should also create a commission, or two separate commissions, for appointments and remunerations**

The rules governing the composition and operation of the audit Commission and the appointments and remunerations commission or commissions should be set forth in the Board Regulations, and should include:

- The board of directors should appoint the members of such commissions considering the knowledge, aptitudes and experience of the directors and the duties of each commission; 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;
- These commissions 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 commissions' invitation.
- Committees should be chaired by independent board members.
- External consultants may be engaged if deemed necessary for the performance of their duties.
- 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

Compliant

- › **40. The supervision of compliance with the internal codes of conduct and corporate governance regulations should be entrusted to the Audit Commission, Appointments Commission or, if separately existing, Compliance or Corporate Governance Commissions.**

See sections: C.2.3 and C.2.4

Compliant

- › **41. All members of the audit Commission, 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 audit function, under the supervision of the audit Commission, to ensure the proper operation of internal reporting and control systems.**

Compliant

- › **43. The head of internal audit should present an annual work plan to the Audit Commission; 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:**
  - 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;
  - The determination of the level of risk deemed acceptable to the company;
  - Measures in place to mitigate the impact of risk events should they occur;
  - 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 section: E

Compliant

› **45. The audit Commission's role should be:**

- In relation to the 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 audit; 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 by which the staff may confidentially and, if necessary, anonymously report any irregularities, especially those of financial or accounting, detected in the course of their duties, with potentially serious implications for the company.
- In relation to external auditors:
  - To be regularly informed by the external auditor on the progress and findings of the audit plan and to ensure that senior management follow up 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 Commission should investigate the issues giving rise to the resignation of any external auditor.
  - In the case of groups, the Commission urges the group auditor to take on the auditing of all component companies.

See sections: C1.36, C.2.3, C.2.4 and E.2

Compliant

- › **46. The audits Commission 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 Commission should inform the board on the following points from recommendation 8 prior to the board taking a decision on the relevant decisions:**
  - The financial information that all listed companies must periodically disclose. The commission 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.
  - 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.
  - Transactions that are linked, except where their scrutiny is entrusted to some other supervision and monitoring commission.

See sections: C.2.3 and C.2.4

Compliant

- › **48. The board of directors should seek to present the annual accounts to the Shareholders' General Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audits Commission and the auditors should clearly inform the shareholders on said reservations or qualifications.**

See sections: C.1.38

Compliant

- › **49. The majority of the members of the Appointments –or Appointments and Remunerations Commission if only one exists– should be independent board members.**

See section: C.2.1

Compliant

- › **50. In addition to the functions listed in the preceding recommendations, the Appointments Commission should be responsible for the following:**
  - 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.
  - 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.
  - To report on the appointments and dismissals of senior staff as proposed by the chief executive to the Board.
  - 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 commission 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 Commission 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 Commission should be responsible for the following:**

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

See section: C.2.4

Compliant

› **53. The remunerations commission should consult the company's chairman and chief executive on matters especially relating to executive board members and senior management.**

Compliant

## H. Other information of interest

- › **1. Provide a brief detail of any 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 complete and reasonable information on the structure and practices of governance in the entity or group.**

In 2013 Abengoa started compiling a “corporate compliance” programme.

The concept of “**corporate compliance**” was introduced in adherence to international practices and to specific compulsory legal rules and regulations, especially practised in Anglo-Saxon Law and, from December 2014 onwards, in Spain. Up until the Transparency Law and, most recently, Law 31/2014, of December 3, which amends the Corporate Law to improve corporate governance, became effective and enforceable in Spain, good governance recommendations were only as such, recommendations. They were not binding even though, on the international markets, companies were legally obliged to comply with certain codes of conduct to prevent fraud, among other bad practices. Notwithstanding the above, due to the increase in getting closer to the international markets as well as to the recent promulgation of Law 31/2014, it is now necessary, on the one hand, to harmonize the international practice with the Spanish laws, thus introducing the concept of criminal liability for legal entities and, on the other, to adapt the various company standards to the new amendments introduced in the Corporate Law.

The goal and objective that Abengoa hopes to attain by creating this programme and by adapting its standards to the recent amendments in the Corporate Law on the aspect of corporate governance is for the board of directors and the management to apply and practice ethics, legality and efficacy in business transactions (good governance), with the organization's systematic focus on evaluating and managing risks, and to ensure that the organization and its employees comply with the existing laws, 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 programme by introducing an effective system of good governance and crime prevention is an inevitable resource for the reputation of Abengoa.

Abengoa’s corporate compliance programme establishes standards and procedures for detecting and preventing bad corporate practices, with the board of directors acting as the authority in supervising the implementation and improvement of the compliance programme and creating the internal post of compliance officer. An appropriate **“corporate compliance programme”** requires an evaluation of the criminal, social and corporate good governance risks, a monitoring authority, a follow-up, action and surveillance programme 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 above sections of 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 regard 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. Consequently, 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.

**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, to 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 power and authority, 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 considered as the outcome of their experience and analysis. This task of providing consultancy in matters of strategy, the environment and corporation, 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 2014 Ms. Noemí Sanín Posada replaced Mr. Ricardo Hausmann.

The international advisory board comprises of persons of renowned prestige in various matters at international level. The most suitable profiles are selected based on the criteria of qualifications regardless of gender. The procedure for selecting them is based on professional merits and profiles and not on specific interests.

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. We now have a woman, Ms. Noemí Sanín Posada, on the board

**Composition and Profile**

Mr. Javier Benjumea Llorente	Executive Chairman
Mr. José Borrell Fontelles	Vice-chairman
Mr. Kemal Dervis	Member
Mr. Mario Molina	Member
Mr. Nicholas Stern	Member
Ms. Noemí Sanín Posada	Member
Mr. Bill Richardson	Member
Mr. Charles Wellesley, Duke of Wellington	Member
Mr. Álvaro Fernández - Villaverde y Silva, Marqués de Santa Cruz	Member
Mr. Alan García Pérez	Member
Wilmer Cutler Pickering Hale and Dorr LLP Law Firm (Pennsylvania, Washington, DC in the US)	

**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 possible irregularities on accounting, auditing or internal controls over financial reporting, to the audits Commission. 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.

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**

Abengoa en el artículo 8 de sus estatutos regula los diferentes derechos de sus acciones clase A y B. La junta general extraordinaria de accionistas celebrada en segunda convocatoria el día 30 de septiembre de 2012 acordó modificar el artículo 8 de los estatutos sociales de Abengoa para incluir un mecanismo de conversión voluntaria de acciones clase A en acciones clase B. A continuación se detalla el mencionado subapartado del mencionado artículo 8 que contempla el derecho de conversión voluntaria:

“ [...] A.3)Derecho de conversión en acciones clase B

Article 8 of Abengoa’s Bylaws regulates the different rights inherent in its 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 the 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), by any media that permits the issuance of remittance and reception 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 the company’s stock capital being reduced 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 Corporate Law.

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 the interest of reinforcing 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 some policy rights. Thus, the general shareholders’ meeting 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 not the stock capital. These rights, like, for example, the right to convene a shareholders meeting or to request the exercise of a corporate liability action, requires the ownership of a specific percentage of stock capital in the nominal sense (in the cited case, 5% at present) though, as a consequence of the

enforceability of Law 31/2014, which amends the Corporate Law with regards to Corporate Governance, Abengoa is currently revising its internal rules and regulations which will imply, among other things, the reducing of the aforementioned percentage down to 3%.

In particular, the extraordinary general shareholders' meeting approved the amendment of the bylaws so that it may reflect: that shareholders be required 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 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 be able to request the presence of Notary Public to endorse the minutes of the shareholders' general meeting on the basis of the number of shares that they may own; (ii) shareholders who own five percent of voting shares be able to request the convening of the shareholders' general meeting that should decide on the corporate liability action against directors or to exercise the corporate liability action without or against the decision of the shareholders' general meeting; that the company's board of directors convene shareholders' general meeting if requested as such by shareholders representing five percent of the company's voting shares; that the company's board of directors extend the shareholders' general meeting if requested as such by the shareholders representing five percent of the company's voting shares and that the company's board chairman suspends the rights to information as established in Article 197 of the Corporate Laws if requested as such by shareholders representing less than twenty-five percent of the company's voting shares.

Notwithstanding all of the above, as already previously mentioned, the bylaws and other rules regulating the operation of the company and its internal organs are being revised for adaptation to the new legal requirements introduced in Law 31/2014 which amends the Corporate Laws with regards to matters of Corporate Governance. The expected amendments include, among others, the decrease in the percentage from 5% referred to above down to 3%.

- › **3. The company may also indicate whether it voluntarily adhered to other codes of the principles of ethics or other good practices, international, sector or otherwise. As the case may be, the company shall identify the code in question and the date of adherence.**

As a result of the company's commitment to transparency, and for the purpose of continuing to ensure the reliability of the financial report prepared by the company, the report was adapted to the requirements established in section 404 of the 2007 United States Sarbanes-Oxley Act (SOX). For another year, the internal control system of the whole group was voluntarily submitted to an independent evaluation process conducted by external auditors under the PCAOB (Public Company Accounting Oversight Board) audit standards.

This standard is a compulsory law for all companies listed in the United States and is aimed at ensuring the reliability of the financial reporting of these companies and at protecting the interests of their shareholders and investors, by setting up an appropriate internal control system. This way, 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 control model that the company uses.

Likewise, in 2002 Abengoa signed the United Nations World Pact, an international initiative aimed at achieving the voluntary commitments of entities regarding social responsibility, by way of implementing ten principles based on the fights against corruption and on human, labour and environmental rights.

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 put 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 certify its products and services.

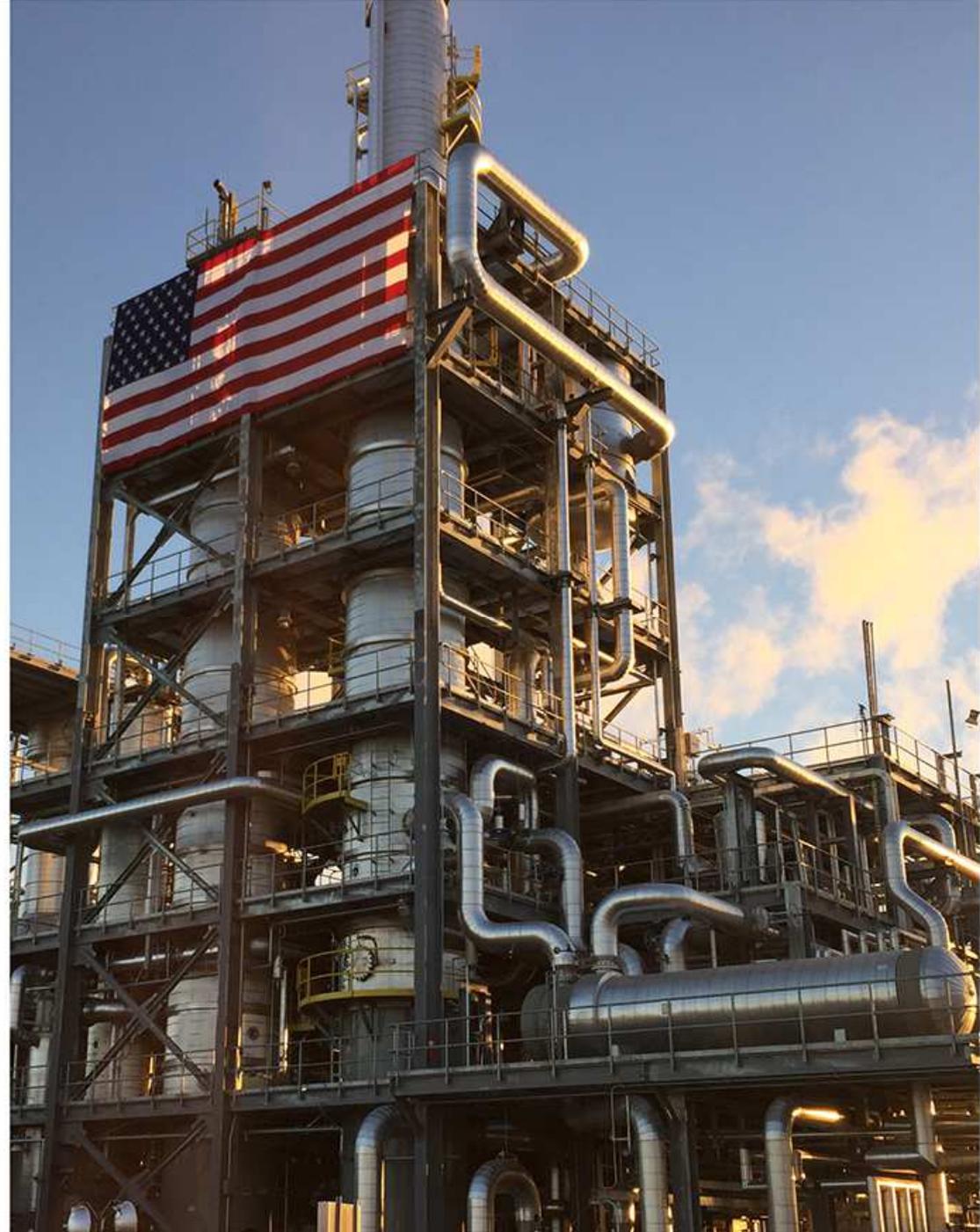
**This Annual Corporate Governance Report was approved by the company's Board of Directors at its meeting held on:**

**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



## A. The company's remunerations policy for the ongoing year

### A.1.- Abengoa's remunerations policy for the ongoing financial year

In Abengoa, S.A. (hereinafter, Abengoa or the Company or Corporation) it is considered important to maintain policies geared towards proposing long-term professional careers in the Group of which Abengoa is the parent company (Group) and, at the same time, promoting the Company and its Group's long-term profitability and sustainability, maintaining a reasonable proportion with the importance of the Company, its economic situation at all times and the market standards of companies with similar magnitude. Abengoa's business transactions and operations are conducted in extremely competitive fields in which the achievement of goals and objectives greatly depend on the quality, work capacity, dedication, and the business knowledge of the persons holding the key posts and leading the organization.

These premises determine the group's remuneration policy in general, that of the Board Members, in particular, and especially that of the executives, and should make it possible to attract and retain the best amongst the professionals.

Consequently, the aim of the remuneration policy of Board Members is as follows:

- › Remunerations for the supervisory and decision-making duties performed as members of the Board of Directors should be appropriate to reward the dedication, qualification, and the responsibility required for the performance of the duties of Board Member, bearing in mind the duties performed on the Board of Directors and the Committees on which they serve.
- › Regarding the remuneration of executive board members for performing executive duties:
  - The overall remuneration package and its structure are competitive in comparison with the international sector and compatible with our vocation of leadership.
  - The maintenance of an annual variable component linked to the achievement of specific and quantifiable objectives that are in line with the interests of shareholders

The criteria for establishing board member remunerations policy is in conformity with the provisions of the Corporate Law (Articles 217 to 219, 249 and 529o to 529r), those of the Bylaws (Article 39) and those of the Regulations of the Board of Directors (Article 20), establishing various criteria depending on whether or not the board member performs executive duties:

#### **Remuneration of Board Members for their condition as such**

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, in not necessarily equal amounts for all members. It could also be an allotment of shares in the Company's profits, of between 5 and 10 percent maximum of the annual profit after subtracting the dividend for the financial year at hand, plus reimbursement of expenses from travels undertaken in the performance of duties entrusted by the Board, and remunerations for Board Committee memberships and, as the case may be, for holding the office of board chairperson.

The maximum annual amounts payable in remunerations to the entire board of directors for their condition as such shall therefore not exceed the amount of the result of adding, as the case may be, the amount of shares in the company profits, the travel expenses, and allowance for Committee membership or for holding the office of chairperson, to the fixed amount agreed upon by the General Assembly. The preceding, understood notwithstanding remunerations payable to Executive Board Members for the performance of executive duties attributed to such office, different from supervisory and decision-making duties performed by mere members of the Board of Directors.

The calculation of the remunerations of each Board Member for his/her condition as such shall remain the duty of the Board of Directors who, for the purpose thereof, shall consider the duties and responsibilities attributed to each Board Member, the membership of the Board itself and all other objective circumstances deemed relevant.

#### **Remunerations for the performance of duties other than those attributed to board membership**

These include remunerations to board members for performing their duties, whether as executive board members or otherwise other than those of supervisory and decision-making duties performed on the Board or on its committees.

These remunerations are compatible with the perception of the bylaws and per diems they may be paid for their mere condition as members of the Board of Directors.

Executive-duty salary packages include the following basic elements:

› **Fixed remuneration**

This amount must be competitive in comparison to market standard in line with the leadership position Abengoa strives to achieve. Its calculation takes into account market studies conducted by external consultants.

Fixed remuneration consists of a fixed gross amount paid annually, divided into twelve equal monthly payments made monthly in arrears.

› **Variable annual remuneration (bonus)**

Variable annual remuneration (or bonus) for executive board members is basically linked to the fulfilment of goals and objectives. Said goals and objectives are tied to the Earnings Before Interest, Taxes, Depreciation and Amortization (**EBITDA**). 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 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 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 will be considered together with other qualitative elements, which may vary from year to year, and may allow the decision to be modulated on the actual amount of the variable remuneration at that moment.

Executive board members are beneficiaries of the extraordinary variable compensation plan for executives described in section A.4 and following herein, remunerations that are not tied to the company's share value under the terms and conditions envisaged in Article 219 of the Corporate Law, even though the right to receive, rather than the amount to be received, initially depends on whether the company's Class B shares attain specific price quotations goals, a prerequisite, nevertheless, that the Appointments and Remunerations Committee of the Company can decide to overlook if exceptional circumstances occur on the stock market that may be deemed by said committee as sufficient justification. Therefore, there are no significant changes in the remunerations policy of the Board of Directors for this ongoing financial year in comparison to remunerations policy applied during the past financial year, given that compensations are still paid to board members without the inclusion of share packages or share options.

A.2.- Process of Determining the Remunerations Policy

By virtue of the directive issued by the Board of Directors, the remunerations policy of Abengoa's Board of Directors is prepared, formulated and discussed by the Appointments and Remunerations Committee at the start of each financial year, then the resulting proposal is submitted to the Board of Directors for its subsequent submission for approval to the Company's Ordinary Shareholders' General Meeting, at least every three years.

Below are the current members of the Appointments and Remunerations Committee, and, as such, the main participants in defining the remunerations policy:

José Borrell Fontelles	Executive Chairman	Independent member
Alicia Velarde Valiente	Member	Independent member
Mercedes Gracia Díez	Member	Independent member
Antonio Fornieles Melero	Member	Independent member
Juan Carlos Jiménez Lora	-	Non-Board Member Secretary

Mr. Borrell Fontelles was appointed as member of the Committee by the Board of Directors of Abengoa, S.A. at its meeting held on February 23, 2012, and elected as Chairman of the Appointments and Remunerations Committee at its meeting held on July 23, 2012; on the hand, the secretary was appointed as such at the meeting of the Appointments and Remunerations Committee held on June 23, 2014.

Mr. Fornieles Melero was appointed as an independent member of the board of directors of Abengoa by decision of said company's Board of Directors, through the co-optation system, to cover the vacancy created by the resignation of Aplidig, S.L. on January 19, 2015, and on that same date he was appointed as Second Vice-chairman, Lead Director, member of the Audits Committee and of this Appointments and Remunerations Committee of the Board of Directors.

Thus, the Appointments and Remunerations Committee comprises of three independent board members and the chairman of the committee was elected from amongst the Independent Board Members, such that it is in perfect compliance with the prerequisites set forth in the Corporate Law. Likewise, in accordance with the provisions in Article 2 of its Internal Regulations, the position of Chairman of the Committee must be held by an independent board member.

No external consultants participated in determining the remunerations policy.

### A.3.- Fixed Components of the Remunerations

In Abengoa, only the executive board members are entitled to fixed remunerations, which are entirely derived from salaries payable for the performance of executive duties. In 2014, the amount paid as salaries to executive board members amounted to €2,824 (in thousands of Euros).

Both the allowance of the board of directors as well as the amounts payable for committee membership or chairmanship, were payable only for attendance. Below are the amounts paid in 2014 for said items:

- › Allowance for board of directors: €499 (in thousands of Euros)
- › Membership or chairmanship of committees: €520 (in thousands of Euros)

Likewise, certain executive board members are offered life insurance coverage for which the Company paid €2 (in thousands of Euros) as premium in 2014.

### A.4. Variable Components of the Remunerations System

Variable annual remuneration (or bonus) for executive board members is basically linked to the fulfilment of goals and objectives. Said objectives are linked to EBITDA. 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 paid to the executive board members during the 2014 financial year amounted to €10,719 (in thousands of Euros).

#### Extraordinary Variable Compensation Plans for Executives

There are currently two extraordinary long-term variable remunerations plans for Executives.

##### 1. Extraordinary Variable Remunerations Plan for Executives, January 2014

This Plan, which invalidates and replaces the Extraordinary Plan approved in February 2011, was itself approved by the Board of Directors of the Company in January 2014 as proposed by the Appointments and Remunerations Committee.

The Plan includes the executive board members (participants), among other executives, as beneficiaries, and it is scheduled to mature on December 31, 2017. Would-be beneficiaries are bound to fulfil the following conditions:

- › that the beneficiary remain in the employment of the company until the Plan is exhausted;
- › that the beneficiary be entitled to an annual bonus for each of the financial year contemplated;
- › that the degree of compliance be 20% annually, notwithstanding the accrual and enforceability occurring on December 31, 2017;
- › that the 2017 Business Group's and/or Abengoa's consolidated budget be complied with based on the Strategic Plan;
- › that the average trading of the Class B Abengoa shares not be lower than a specified value, during the last three months of 2017;

In the event that a beneficiary ceases to be such of said Plan before the maturity deadline (whether voluntarily or as consequence of a legal dismissal), said beneficiary shall not be entitled to any payments whatsoever by virtue of the Plan.

In the event of a beneficiary's demise, the Plan shall be halted with the heirs entitled to the total or consolidated amount owed to said beneficiary for the financial year prior to his/her demise, calculated based on the category of the executive.

In the event of a beneficiary's retirement as a result of reaching the age established by law or due to complete permanent disability (preventing him/her from doing any other kind of work) before the Plan's scheduled maturity date, said beneficiary shall be entitled to the amount consolidated during the completed financial years preceding such retirement, as long as the other established conditions are met.

## 2. Extraordinary Variable Remuneration Plan for Executives, July 2014

This Plan was approved by the Board of Directors of the Company in July 2014 as proposed by the Appointments and Remunerations Committee.

The Plan includes the Chairman and the CEO, among other executives, as beneficiaries (participants). The duration of the Plan is five years (2014-2018) and it is scheduled to mature on December 31, 2018, at 20% annual accrual. Though there may be beneficiaries of this Plan whose remunerations accrue, in principle, when the permanence criteria is met (others are partly fixed to permanence and partly to objectives), the remuneration of the members of the Board of Directors shall only accrue if the permanence criterion is in addition to that of the performance of personal objectives that are linked to Abengoa's Strategic Plan and, additionally, in the case of the CEO, to the Strategic Plan of Abengoa Yield.

Would-be beneficiaries are bound to fulfil the following conditions:

- › that the beneficiary remain in the employment of the company until the Plan is exhausted;
- › executives whose total or partial remunerations are linked with the performance of personal objectives, the beneficiary must have been entitled to annual bonus.
- › that the degree of compliance be 20% annually, notwithstanding the accrual and enforceability occurring on December 31, 2018;
- › that the average trading of the Class B Abengoa shares not be lower than a specified value, during the last three months of 2018;

In the event of resignation (voluntary or by dismissal) the Plan shall be halted void of any accrual whatsoever.

In the event of a beneficiary's demise, the Plan shall be halted with the heirs entitled to the total or consolidated amount owed to said beneficiary for the financial year prior to his/her demise, calculated based on the category of the executive.

In the event of a beneficiary's retirement as a result of reaching the age established by law or due to complete permanent disability (preventing him/her from doing any other kind of work) before the Plan's scheduled maturity date, said beneficiary shall be entitled to the amount consolidated during the completed financial years preceding such retirement, as long as the other established conditions are met.

### A.5. Long-term savings systems

The compensation package for Abengoa board members does not include any long-term savings system.

### A.6.- Compensations

There is no provision for the payment of any compensation whatsoever to Board Members in the event of termination of duties as such, and no compensation was paid for any item during the 2014 financial year. The payment of compensation is only envisaged in the event of termination of executive duties in the financial year, which, as the case may be, can be performed, as detailed in the section A.7 below.

### A.7. Conditions of contracts signed with executive board members

Based on the Appointments and Remunerations Committee proposal, the Board of Directors fixes the remunerations of the Executive Board Members for the performance of their executive duties and other basic conditions that must be respected in their contracts, duly approved by the Board of Directors under the terms and conditions envisaged in Article 249 of the Corporate Law. Said conditions are as follows:

#### Permanent

Contracts of executive board members of the Company are permanent and envisage financial compensation for cases of termination of contractual relationship with the

company, as long as such termination is not exclusively caused by the free will of the executive board member or is not as consequence of non-performance of obligations.

#### **Applicable standard**

The regulation applicable to executive board member contracts is stipulated by the legal ordinance in each case.

#### **Non-concurrence**

In all cases, the contracts of executive board members establish obligations of non-concurrence in relation to analogous companies and activities during the validity of the relationship with the Company and for a subsequent period of twelve months.

#### **Non-disclosure and Return of Documents.**

A strict non-disclosure is imposed, both during the validity of the contracts as well as upon the termination of the relationship. In addition, once the relationship is ended with the Company, executive board members are bound to return all documents and objects that they have relating to the activities back to the Company.

#### **Bonus for permanence**

To obtain the loyalty of executive board members, their contracts could include bonus on the condition of permanence in the performance of their duties until the age of 65, and which can accrue, likewise, in case of early termination of Executive Board membership for reasons not attributable to their free will or not caused by non-performance of duties attributable thereto.

#### A.8. Supplementary Remunerations

Abengoa does not owe supplementary remunerations to its board members.

#### A.9. Advances, Credits and Bonds Granted

No advances, credits or guarantees were granted to members of the Board of Directors of Abengoa.

#### A.10. Remunerations in Kind

The concept of Remunerations in kind is reduced to bonus paid by the Company in the form of life insurance for specific individual executive board members.

#### A.11. Remunerations Accrued by Board members by Virtue of Payments made to Third Party Entity

No payments were made to any company for the purpose of remunerating the services rendered to Abengoa by external board members.

#### A.12. Other Payable Items

There are no wage components other than those outlined in previous sections.

#### A.13. Actions Put in Place to Reduce 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 into 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 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 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. Remunerations Policy for Future Financial Years

The Board of Directors' remunerations policy for future financial years coincides with the content of the remunerations policy of Abengoa's Board of Directors for the ongoing financial year described in preceding section A, which, pursuant to the stipulations of Section 2.(a) of the Transitory Provision of Law 31/2014, of December 3, which amends the Corporate Law for the improvement of Corporate Governance, shall be applicable during the 2015, 2016 and 2017 financial years as long as this report, when submitted to the approval of the 2015 Ordinary Shareholders' Meeting as a separate point on the agenda, is approved in consultative voting by the aforementioned General Meeting.

### B.2. Decision-making process for Determining Future Remunerations Policy

The Board members' remunerations policy for financial years beyond 2017 shall be submitted by the Company's Board of Directors to the approval of the Ordinary Shareholders' General Meeting to be held in 2018, following the proposal by the Appointments and Remunerations Committee, as a separate point on the agenda, for its application during the 2018, 2019 and 2020 financial years. The Board members' proposed remunerations policy prepared by the Board of Directors shall be made available to Abengoa shareholders, together with the specific compulsory report from the Appointments and Remunerations Committee, by uploading them to the Company's Webpage from the moment of the call to the aforementioned General Meeting.

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 favourably voted by the majority of the committee members, present or represented. Situations of tie shall be resolved by Chairman's vote.

The Company's head of remunerations act as secretary in the Committee meetings.

### B.3. 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 remunerations policy of the board of directors.

## C. Overall summary of how the Remunerations Policy was applied during the closed Financial Year.

### C.1. Remunerations Policy applied during the Financial Year: structured and payable items

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 post**

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 share in the Company's profits, of between 5 and 10 percent maximum of the annual profit after subtracting the dividend for the financial year at hand, plus reimbursement of expenses from travels undertaken in the performance of duties entrusted by the Board, and remunerations for Board Committee memberships and, as the case may be, for holding the office of board chairperson.

#### **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 per diems they may be paid for their mere condition as members of the Board of Directors.

Executive-duty salary packages include the following basic elements:

- › Fixed remuneration

This amount must be competitive in comparison to market standard in line with the leadership position Abengoa strives to achieve. Its calculation takes into account market studies conducted by external consultants. The fixed salary consists of the following:

- Salary Level. This is the basic fixed monthly salary, stipulated for each category or level.
- Special Responsibility Allowance (SRA). This supplementary payment is freely set by the Company's Management and paid 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.

The fixed remuneration therefore includes the salary level amount and the special responsibility allowance, payable monthly.

- › Variable annual remuneration (bonus)

Variable annual remuneration (or bonus) for executive board members is basically linked to the fulfilment of goals and objectives. Said objectives are linked to EBITDA. 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.

## D. Detail of Individual Payments received by each Board Member

### D.1 Detail of Individual Payments received by Board Members

#### A) Remunerations Accrued in Abengoa, S.A. (in thousands of Euros):

Name	Typology	Period of accrual 2014 Financial Year	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 2014 Financial year	Total 2013 Financial year
Felipe Benjumea Llorente	Executive	01.01.14-31.12.14	1,086	-	93	3,304	-	-	-	1	4,484	4,484
Aplidig, S.L. (1)	Executive	01.01.14-31.12.14	-	202	93	2,804	-	-	-	-	3,099	3,099
Manuel Sánchez Ortega	Executive	01.01.14-31.12.14	1,086	-	93	3,304	-	-	-	1	4,484	4,484
Javier Benjumea Llorente	Executive	01.01.14-31.12.14	450	-	93	1,307	-	200	-	-	2,050	1,832
José Borrell Fontelles	Independent	01.01.14-31.12.14	-	-	160	-	-	140	-	-	300	300
Mercedes Gracia Díez	Independent	01.01.14-31.12.14	-	-	160	-	-	40	-	-	200	200
Ricardo Martínez Rico	Independent	01.01.14-31.12.14	-	-	110	-	-	20	-	-	130	136
Alicia Velarde Valiente	Independent	01.01.14-31.12.14	-	-	110	-	-	40	-	-	150	150
Ricardo Hausmann (2)	Independent	06.04.14-31.12.14	-	-	178	-	-	-	-	-	178	-
José Joaquín Abaurre Llorente	Proprietary (Dominion)	01.01.14-31.12.14	-	-	110	-	-	40	-	-	150	150
José Luis Aya Abaurre	Proprietary (Dominion)	01.01.14-31.12.14	-	-	110	-	-	40	-	-	150	150
María Teresa Benjumea Llorente	Proprietary (Dominion)	01.01.14-31.12.14	-	-	78	-	-	-	-	-	78	78
Claudi Santiago Ponsa	Proprietary (Dominion)	01.01.14-31.12.14	-	-	70	-	-	-	-	-	70	62
Ignacio Solís Guardiola	Proprietary (Dominion)	01.01.14-31.12.14	-	-	78	-	-	-	-	-	78	78
Fernando Solís Martínez-Campos	Proprietary (Dominion)	01.01.14-31.12.14	-	-	78	-	-	-	-	-	78	78
Carlos Sundheim Losada	Proprietary (Dominion)	01.01.14-31.12.14	-	-	78	-	-	-	-	-	78	78
<b>Total</b>			<b>2,622</b>	<b>202</b>	<b>1,692</b>	<b>10,719</b>	<b>-</b>	<b>520</b>	<b>-</b>	<b>2</b>	<b>15,757</b>	<b>15,359</b>

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

Note (2): From 06.04.2014

As has been described in previous sections, the Company has no share-based or long-term savings-based system of remunerations. Neither has it granted advances, credits or bonds to any board members.

By virtue of their condition as Abengoa employees, during the financial year the Company disbursed €2 (in thousands of Euros) in purchasing life insurance premiums for the following executive board members:

Name/ Typology	2014 Financial year	2013 Financial year
Felipe Benjumea Llorente/Executive	1	1
Manuel Sánchez Ortega/Executive	1	1

**B) Remunerations received by board members of Abengoa SA for serving on boards of other companies of the group (in thousands of Euros):**

Name	Typology	Period of accrual 2014 Financial Year	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 2014 Financial year	Total 2013 Financial year
Javier Benjumea Llorente	Executive	01.01.14-31.12.14	-	-	52	-	-	-	-	-	52	38
María Teresa Benjumea Llorente	Proprietary (Dominion)	01.01.14-31.12.14	-	-	24	-	-	-	-	-	24	24
<b>Total</b>			-	-	<b>76</b>	-	-	-	-	-	<b>76</b>	<b>62</b>

Abengoa has no share-based or long-term savings-based system of remunerations. Neither has the Company granted advances, credits or bonds to any board members, or paid any amounts in concept of life insurance premiums.

**C) Summary of the remunerations (thousands of €):**

Name	Typology	Remuneration accrued in the Company				Remuneration accrued in other Companies of group				Total		Contribution to savings system during financial year
		Total cash Remuneration	Amount of shares awarded	Gross benefit of options exercised	Company total 2014 Financial year	Total cash Remuneration	Amount of shares awarded	Gross benefit of options exercised	Group total 2014 Financial year	Total 2014 Financial year	Total 2013 Financial year	
Felipe Benjumea Llorente	Executive	4,484	-	-	4,484	-	-	-	-	4,484	4,484	-
Aplidig, S.L. (1)	Executive	3,099	-	-	3,099	-	-	-	-	3,099	3,099	-
Manuel Sánchez Ortega	Executive	4,484	-	-	4,484	-	-	-	-	4,484	4,484	-
Javier Benjumea Llorente	Executive	2,050	-	-	2,050	52	-	-	52	2,102	1,870	-
José Borrell Fontelles	Independent	300	-	-	300	-	-	-	-	300	300	-
Mercedes Gracia Díez	Independent	200	-	-	200	-	-	-	-	200	200	-
Ricardo Martínez Rico	Independent	130	-	-	130	-	-	-	-	130	136	-
Alicia Velarde Valiente	Independent	150	-	-	150	-	-	-	-	150	150	-
Ricardo Hausmann (2)	Independent	178	-	-	178	-	-	-	-	178	-	-
José Joaquín Abaurre Llorente	Proprietary (Dominion)	150	-	-	150	-	-	-	-	150	150	-
José Luis Aya Abaurre	Proprietary (Dominion)	150	-	-	150	-	-	-	-	150	150	-
María Teresa Benjumea Llorente	Proprietary (Dominion)	78	-	-	78	24	-	-	24	102	102	-
Claudi Santiago Ponsa	Proprietary (Dominion)	70	-	-	70	-	-	-	-	70	62	-
Ignacio Solís Guardiola	Proprietary (Dominion)	78	-	-	78	-	-	-	-	78	78	-
Fernando Solís Martínez-Campos	Proprietary (Dominion)	78	-	-	78	-	-	-	-	78	78	-
Carlos Sundheim Losada	Proprietary (Dominion)	78	-	-	78	-	-	-	-	78	78	-
<b>Total</b>	-	<b>15,757</b>	-	-	<b>15,757</b>	<b>76</b>	-	-	<b>76</b>	<b>15,833</b>	<b>15,421</b>	-

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

Note (2): From 06.04.2014

## D.2 Relation between Remunerations and Results of the Company

- › The essential reference for the variable annual remuneration is the evolution of 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 will 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 paid in proportion to the degree of how they are met.

## D.3 Result of Consultative Voting of the Shareholders' General Meeting on the Annual Report on Remunerations of the Previous Financial Year

	Number	% over total
Votes cast	6,585,017,159	72.185%

	Number	% of votes cast
Votes cast	539,386,830	8.190%
Votes in favour	5,288,312,907	80.310%
Abstentions	757,317,422	11.500%

## E. Other information of interest

Regarding the remunerations policy applied at Abengoa, there are no other relevant elements than those already outlined in previous sections of this report.

This Annual Remunerations Report was unanimously approved by the company's Board of Directors at its meeting held on February 23, 2015.