ABENGOA

Report issued by the Board of Directors of Abengoa, S.A. in relation to the draft agreement regarding the execution of a guarantee by Abengoa, S.A. on the obligations to be assumed by companies of the Abengoa Group in the context of the issuance of debt securities and loans that are expected to be agreed shortly under the Restructuring agreement, which is subject to the approval of an Extraordinary General Meeting of Shareholders convened for November 21 and 22, 2016, on the first and second call, respectively, under item three of its Agenda.

1. Object of the report

1.1 This report is drawn up by the Board of Directors of Abengoa, S.A. (hereinafter and interchangeably referred to as "**Abengoa**" or the "**Company**") to make it easier for Company shareholders to understand the draft agreement regarding the issuance of a guarantee by the Company regarding the obligations to be assumed by "Abengoa AbeNewco1, S.A.", "Abengoa AbeNewco2, S.A." or any other group company of which Abengoa is the parent company (hereinafter and jointly with the Company, referred to as "**Abengoa Group**"), in relation to the issue of security bonds and the loans that are expected to be carried out by the mentioned companies in the context of the financial debt restructuring operation and recapitalization of the Abengoa Group, which is subject to the approval of the Extraordinary General Meeting of Shareholders of the Company convened for November 21 and 22, 2016, on the first and second call, respectively, under item three of its Agenda.

1.2 To make it easier for the shareholders to understand the draft agreement, we offer an explanation of its purpose and justification, and then, we shall include the entire text of the draft agreement that is being subject to the approval of the Extraordinary General Shareholders' Meeting.

2. Purpose and justification of the proposal

2.1 The purpose of the draft agreement is to fulfill the obligations assumed by Abengoa under the agreement for the financial debt restructuring and recapitalization of the Abengoa Group entered into on September 24, 2016 by the Company, certain companies of the Abengoa Group, some investors and a group of creditors comprising, among others, financial entities and holders of debt securities issued by companies of the Abengoa Group (hereinafter referred to as the "**Restructuring Agreement**"), consisting in Abengoa's commitment to provide security for the obligations assumed by "Abengoa AbeNewco1, S.A.", "Abengoa AbeNewco2, S.A." or any other company of the Abengoa Group, in their condition of issuing or creditor entity in the context of the issue of debt securities or loans governed by the Restructuring Agreement (hereinafter referred to as "**Issues**" and/or the "**Loans**").

2.2 Issues and/or Loans are configured as essential instruments for the implementation of the Restructuring Agreement, both from the point of view of the new financing that shall be made available to the Abengoa Group (hereinafter, the "**New Financing**") and from the perspective of the pre-existing financial debt (hereinafter referred to as, the "**Pre-existing Financial Debt**"), given that both the entities providing certain tranches of the New Financing and the credit entities of the Pre-existing Financial Debt that have endorsed the Restructuring Agreement and have opted for applying the "**Alternative Conditions**" of the Restructuring Agreement (as described in the report prepared by the Governing Board of the Company in relation to the draft agreements on the increase of the Company's share capital that are being subject to the Extraordinary General Meeting of Shareholders under item two of its agenda), may choose to invest the money in a new asset or convert

ABENGOA

their loans with the Company into marketable securities issued in the context of the Issues or Loans by offsetting them.

2.3 The execution by the Company of the security provided by the draft agreement, subject matter of this report, is an indispensable element of the Issues and Loans, as without these they could not be carried out. Issues and Loans, in turn, constitute a necessary condition for the effectiveness of the Restructuring Agreement, which, together with the rest of the measures contemplated therein, represent the only available route -as at the date of issue of this report- to ensure the restructuring of the financial debt and the recapitalization of the Abengoa Group, and the fulfilment of the terms of the Viability Plan, published on August 16, 2016.

2.4 Additionally, the Restructuring agreement shall entail a significant reduction of the Company's debt, bringing it town to a sustainable level and this shall include the corresponding savings in borrowing costs (such as, for instance, bank commissions charged by the entities providing the New financing, which shall be offset for capitalization in the framework of the agreement of the share capital increase. This, in combination with the entry of new funds in the Company, will permit the Company to resume its activity, thereby preventing an ultimate declaration of insolvency proceedings.

2.5 The effectiveness of this agreement, if approved by the shareholders, shall be subject to the approval of the agreements that are subject to approval by the Extraordinary General Meeting of Shareholders under items one, two and four of its Agenda.

The Board of Directors of the Company shall execute this agreement, under the provisions of the delegation of authorities established in section 3 below, on the corresponding date in accordance with the Restructuring Agreement.

3. Draft agreement to be subject to the Extraordinary General Meeting of Shareholders.

The draft agreement submitted to the approval of the Extraordinary General Meeting of Shareholders is as follows:

"Three. **The issuance by the Company of a security concerning the obligations undertaken by some of its subsidiaries regarding the issuance of debt securities and loans to be agreed on in the future pursuant to the Restructuring Agreement.**

To comply with the obligation assumed by "Abengoa, S.A." (hereinafter, "**Abengoa**" or the "**Company**") under the agreement for the restructuring of the financial debt and recapitalization of the group of companies of which Abengoa is the parent company (hereinafter, along with the Company, the "**Abengoa Group**"), entered into on September 24, 2016 by the Company, certain companies of the Abengoa Group, a group of investors and a group of creditors comprising, among others, financial entities and holders of debt securities issued by entities of the Abengoa Group (hereinafter the "**Restructuring Agreement**"), consisting in the commitment to secure the obligations assumed by certain of its subsidiaries in the context of the issuance of debt securities and the loans that are expected to be agreed soon under the Restructuring Agreement (hereinafter, collectively, referred to as the "**Issuers**" or the "**Creditors**" and, each of them individually, an "**Emitter**" or a "**Creditor**"), the General

Meeting, upon proposal by the Company Board of Directors, hereby approves the following agreements, in accordance with the terms and conditions expressed hereafter:

1. Guarantee on the obligations assumed by the Issuers within the context of issues of debt securities or loans.

Guarantee on first request or jointly with the Issuer and/or Creditor and any other guarantors, without being subject to term, unconditionally and irrevocably, in its broadest terms and expressly waiving the benefits of division, exclusion, order and any others as may apply, all of the obligations that may derive for the Issuers or Creditors, or any other Issuer or Creditor or any other guarantor, from: (i) one or several issues of debt securities in an amount of up to a maximum to be determined in accordance with the criteria established below (the "**Issues**" and, each of them, an "**Issue**") and (ii) one or several loan, credit, financing, endorsement or other type of product agreements as provided to be subscribed by the Issuers or by the Creditors by February 28, 2017, at latest, or such other date as agreed in accordance with the provisions of the Restructuring Agreement, with the general characteristics described in section 2 below of this agreement; and (iii) any of the "**Issue Documents**" (as such term is defined in section 3 below of this draft agreement). To guarantee the aforesaid debt instruments, Abengoa and its subsidiaries may grant both personal and *in rem* guarantees and, specifically, without limitation, pledges on shares or quotas representing the capital of the various companies they own (including, "Abengoa AbeNewco 1, S.A." and "Abengoa AbeNewco 2, S.A.").

The effectiveness of this agreement, if approved by the shareholders, shall be subject to the approval of the agreements that are subject to approval by the Extraordinary Meeting of Shareholders under items one, two and four of its Agenda.

The Board of Directors of the Company shall enforce this agreement, in performance of the delegation of authorities established in section 3 below, on such date as applicable under the Restructuring Agreement.

2. General characteristics of Issues and loans.

2.1 <u>Issuance of bonds for subscription by the creditor entities of the Abengoa Group integrated in Tranche 1A (*Tranche 1A* under the Restructuring Agreement) of the group of entities providing new financing (*New Money Financing* under the Restructuring Agreement) and/or signature of a loan agreement</u>.

The general characteristics of the Issue and/or the Loan Agreement are as follows:

– <u>Issuer/Creditor</u>: Abengoa Group company to be determined.

– <u>Type of securities to be issued (when securities are issued)</u>: The securities to be issued shall be simple bonds.

– <u>Amount</u>: The amount of the Issue and, where applicable, the Loan, shall collectively total a maximum of 839.1 million euros or its equivalent in another foreign currency (depending on the exchange rate published on this date by Bloomberg), or a combination of euros and another foreign currency up to a combined maximum of 839.1 million euros (according to the exchange rate published on such date by Bloomberg), to be determined depending on the specific amount at the time of the Issue or signature up to such maximum.

– Maturity: 47 months, to be taken as of the date on which the necessary steps have been taken for the implementation of the restructuring of the financial debt and the recapitalization of the Abengoa Group, in accordance with the Restructuring Agreement (*Restructuring Completion Date* under the Restructuring Agreement –the "**Date of Execution of the Restructuring** "–).

– Interest rate:

- 5.00% per annum, accruing daily on the nominal amount of the bonds and/or loan, payable in cash at the end of each interest period; and

- 9.00% per annum, accruing daily on the nominal amount of the bonds and/or loan, payable upon maturity. The interest accrued at 9.00% at the end of each interest period shall not be paid in cash but shall be fully incorporated into the nominal value of each of the bonds and/or principal, in the corresponding proportion. In successive interest periods, the basis to calculate the amount of interest shall be the new nominal value determined at the end of the interest period immediately prior to the current period, increased by the effect of the capitalization of interest.

– Interest periods: Quarterly.

– Issue price (when securities are issued): May be at par, below par or above par value.

– Payment of issue price (in case of issue of securities) and/or loan: The bonds and/or loan shall be subscribed to and paid by the creditor entities of the Abengoa Group forming part of Tranche 1A (*Tranche 1A* under the Restructuring Agreement –the "**Tranche 1A**"–) of the group of entities providing new financing (*New Money Financing* under the Restructuring Agreement –la "**New Financing**"–) partially by offsetting credits and partially through monetary contributions (hereafter the "**Subscribers**").

– Nature of the credits to be offset: Subscribers resorting to Tranche 1A of the New Financing may pay and, in the case of issuing of bonds, subscribe to bonds, partially by swapping the following credits:

➢ Amounts owed by Abengoa Concessions Investments Limited under the financing agreement subscribed thereby with, among others, a series of financial entities on September 18, 2016, in a maximum amount of 211 million dollars (the "**Interim Financing of September 2016**");

➢ Amounts owed by Abengoa Concessions Investments Limited to the entities that have chosen to replace their creditor position derived from their share in the financing agreement subscribed thereby with, among others, a series of financial entities on March 21, 2016, in a maximum amount of 137,094,751.30 euros (the "**March 2016 Interim Financing**"); and

➢ Amounts owed as fees, costs and expenses under the September 2016 Interim Financing.

– Admission to trade: The bonds may be admitted to trade on an official secondary market or other regulated markets, in multilateral negotiation systems, organized contracting systems, whether Spanish or foreign.

– Governing law and jurisdiction: The governing law and jurisdiction shall be those of Spain, of the State of New York or any others determined at the time of the Issue.

– Fungibility: There is the possibility that the Issues may be fungible among each other or that any or all of them may be fungible with any other issuance of securities that may be made by the Issuer in the future or that has been made in the past.

2.2 Loan to be subscribed by the creditor entities of the Abengoa Group that belong to Tranche 1B (*Tranche 1B* under the Restructuring Agreement) of the group of entities providing new financing (*New Money Financing* under the Restructuring Agreement).

The general characteristics of the Loan are as follows:

– Creditor: Abengoa Group company to be determined.

– Amount: The amount of the Loan shall total a maximum of 106 million euros or its equivalent in another currency (according to the exchange rate published on that date by Bloomberg).

– Maturity: 47 months, which begin on the Date of Execution of the Restructuring as defined in item 2.1 above.

– Interest rate:

- 5.00% per annum, accruing daily on the nominal amount of the Loan principal, payable in cash at the end of each interest period; and

- 9.00% per annum, accruing daily on the nominal amount of the Loan principal, payable upon maturity. The interest accrued at 9.00% at the end of each interest period shall not be paid in cash, but shall be incorporated in their entirety to the nominal value of the Loan principal. In successive interest periods, the basis to calculate the amount of interest shall be the new nominal value of the Loan principal determined at the end of the interest period immediately prior to the current period, increased by the effect of the capitalization of interest.

– Interest periods: Quarterly.

– Nature of the credits to be offset: Creditors resorting to Tranche 1B of the New Financing may subscribe to the Loan by swapping the amounts of principal owed by Abengoa Concessions Investments Limited under the financing agreement subscribed thereby with,

ABENGOA

among others, a group of financial entities last December 24, 2015, in an aggregate amount of 106 million euros (the "**December 2015 Interim Financing**").

– Governing law and jurisdiction: The governing law and jurisdiction shall be those of Spain, of the State of New York or any other that is established.

2.3 Issuing bonds to be subscribed by the creditor entities of the Abengoa Group that belong to Tranche 2 (*Tranche 2* under the Restructuring Agreement) of the group of entities providing new financing (*New Money Financing* under the Restructuring Agreement) and/or signing the loan agreement.

The general characteristics of the Issue and/or the Loan Agreement are as follows:

– Issuer/Creditor: Abengoa Group company to be determined.

– Type of securities to be issued (when securities are issued): The securities to be issued shall be simple bonds.

– Amount: The amount of the Issue and, where applicable, of the Loan, shall collectively total a maximum of 194.5 million euros or its equivalent in a foreign currency (according to the exchange rate published on that date by Bloomberg), or a combination of euros and foreign currency up to a combined maximum of 194.5 million euros (according to the exchange rate published on that date by Bloomberg), to be determined according to the exact amount at the time of issuance up to the maximum amount.

– Maturity: 48 months, which begin on the Date of Execution of the Restructuring.

– Interest rate:

  - 5.00% per annum, accruing daily on the nominal amount of the bonds and/or loan, payable in cash at the end of each interest period; and

  - 9.00% per annum, accruing daily on the nominal amount of the bonds and/or loan, payable upon maturity. The interest accrued at 9.00% at the end of each interest period shall not be paid in cash but shall be fully incorporated into the nominal value of each of the bonds and/or loan principal, in the corresponding proportion. In successive interest periods, the basis to calculate the amount of interest shall be the new nominal value determined at the end of the interest period immediately prior to the current period, increased by the effect of the capitalization of interest.

– Interest periods: Quarterly.

– Issue price (when securities are issued): May be at par, below par or above par value.

– Payment of the issue price (when securities are issued): The bonds and/or the loan shall be subscribed by the creditor entities of the Abengoa Group incorporated in Tranche 2 (*Tranche 2* under the Restructuring Agreement –the "**Tranche 2**"–) of the group of entities providing the New Financing, partially by offsetting credits and partially through monetary contributions (hereafter the "**Subscribers**").

– Nature of the credits to be offset: Subscribers resorting to Tranche 2 of the New Financing may pay and, in the case of issues of securities, subscribe to bonds, partially by swapping the following credits:

  - Amounts owed as principal by Abengoa to other entities that have chosen to replace their creditor position derived from their interest in the financing agreement subscribed thereby with, among others, a group of financial entities on September 23, 2015, up to 165 million euros (the "**September 2015 Interim Financing**");

  - Fees, costs and other amounts owed (not including principal) under the December 2015 Interim Financing and September 2015 Interim Financing; and

  - Fees payable and capitalized interest under Tranche 1B and Tranche 2 insurance fees.

– Admission to trade: The bonds may be admitted to trade on an official secondary market or other regulated markets, in multilateral negotiation systems, organized contracting systems, whether Spanish or foreign.

– Governing law and jurisdiction: The governing law and jurisdiction shall be those of Spain, of the State of New York or any others determined at the time of the Issue.

– Fungibility: There is the possibility that the Issues may be fungible among each other or that any or all of them may be fungible with any other issuance of securities that may be made by the Issuer in the future or that has been made in the past.

2.4 Loans to be subscribed by the creditor entities of the Abengoa Group that belong to Tranche 3 (Tranche 3 under the Restructuring Agreement) of the group of entities providing new financing (New Money Financing under the Restructuring Agreement).

The general characteristics of the Loan are as follows:

– Creditor: Abengoa Group company to be determined.

– Amount: The amount of the Loan shall total a maximum of 30 million euros or its equivalent in another currency (according to the exchange rate published on that date by Bloomberg).

– Maturity: 48 months, which begin on the Date of Execution of the Restructuring.

– Interest rate:

  - 7.00% per annum, accruing daily on the amounts drawn down on the Loan principal, payable upon maturity; and

  - 5.00% per annum, accruing daily on the amounts not drawn down on the Loan principal, payable upon maturity. The interest accrued at 9.00% at the end of each interest period shall not be paid in cash but shall be fully incorporated into the nominal value of each of the bonds in the corresponding proportion. In successive interest periods, the basis to calculate the amount of interest shall be the new nominal value determined at the end of the interest period immediately prior to the current period, increased by the effect of the capitalization of interest.

- Neither the interest accrued at 7.00%, nor that at 5.00%, respectively, shall be paid in cash at the end of each interest period but shall be fully incorporated into the Loan principal in

  the corresponding proportion. In successive interest periods, the basis to calculate the amount of interest shall be the new principal determined at the end of the interest period immediately prior to the current period, increased by the effect of the capitalization of interest.

– Interest periods: Quarterly.

– Governing law and jurisdiction: The governing law and jurisdiction shall be those of Spain, of the State of New York or any others determined at the time of the Issue.

2.5 Bonding Lines

– Creditor: Abengoa Group company to be determined

– Amount: To be divided into three tranches in the following amounts:

  - A syndicated tranche in the amount of at least 209 million euros or its equivalent in another currency (according to the exchange rate published on that date by Bloomberg), or a combination of euros and another currency;
  - A roll-over tranche for up to 98 million euros or its equivalent in another currency (according to the exchange rate published on that date by Bloomberg), or a combination of euros and another currency; and
  - A bilateral tranche for a total yet to be determined or its equivalent in another currency (according to the exchange rate published on that date by Bloomberg), or a combination of euros and another currency.

– Maturity: 48 months, which begin on the Date of Execution of the Restructuring.

– Issue Commission: 5.00 % per annum accruing daily on the amount drawn down and payable in cash every three months.

– Governing law and jurisdiction: The governing law and jurisdiction shall be those of Spain, of the State of New York or any others determined at the time of subscription.

2.6 Issuing bonds to be subscribed by the creditor entities of the Abengoa Group that belong to the pre-existing senior debt creditors (Senior Old Money under the Restructuring Agreement) and/or signing the loan agreement.

The general characteristics of the Issue and/or of the Loan are as follows:

– Issuer/Creditor: Abengoa Group company to be determined.

– Type of securities to be issued (when securities are issued): The securities to be issued shall be simple bonds.

– Amount: The amount of the Issue and, where applicable, of the Loan shall jointly amount to a maximum equivalent to 30% of the amount of the credits owned by the Creditors of the Pre-existing Financial Debt (as such term is defined in the second proposed agreement above) that have participated in the Restructuring Agreement and have chosen to apply the Alternative

Conditions of the Restructuring Agreement (as such term is defined in the second proposed agreement above) as regards the Abengoa Group under all or part of the debt instruments identified in the document attached as an Appendix to the second proposed agreement above and that copies the information contained in Part C (Affected Debt Compromised Debt) of Schedule 6 of the Restructuring Agreement (Schedule 6–Existing Financial Indebtedness: Obligors*)*, excluding those corresponding to the Entities to be Liquidated (Liquidating Entity Debt) amounting to a total of 7,523 million euros, which, by the date this agreement is executed, must be updated taking into consideration, among other factors, (a) the amount of the materialization of guarantees under the Restructuring Agreement; and (b) the update of the principal and ordinary interest accrued up to September 30, 2016, the date stipulated in the Restructuring Agreement for capitalization purposes, or its equivalent in another currency (according to the exchange rate published on that date by Bloomberg), or a combination of euros and another currency up to the maximum amount, to be determined according to the exact amount at the time of issuance up to the maximum amount.

– Maturity: 66 months, which begin on the Date of Execution of the Restructuring.

– Interest rate:

  - 0.25% per annum, accruing daily on the nominal amount of the bonds and/or loan, payable in cash at the end of each interest period; and

  - 1.25% per annum, accruing daily on the nominal amount of the bonds and/or loan, payable in cash at the end of each interest period. Notwithstanding the foregoing, in the event that the Issuer/Creditor were to verify that the cash available following the payment of the interest was less than 200 million euros, the interest accrued at 1.25% at the end of the interest period shall not be paid in cash and shall be fully incorporated at the par value of each of the bonds and/or principal of the loan in the corresponding proportion. In successive interest periods, the basis to calculate the amount of interest shall be the new nominal value determined at the end of the interest period immediately prior to the current period, increased by the effect of the capitalization of interest.

– Interest periods: Quarterly.

– Issue price (when securities are issued): May be at par, below par or above par value.

– Payment of the Issue Price: The bonds and/or loan shall be subscribed by the creditor entities of the Abengoa Group that have participated in the Restructuring Agreement and have expressly chosen to apply the "**Alternative Conditions**" of the Restructuring Agreement (as described in the report prepared by the Company's Board of Directors on the agreement proposals to increase the capital stock submitted for approval at the Extraordinary Shareholders' Meeting in item two below of its agenda) and that have met the conditions to be incorporated into the group of creditor entities of the senior pre-existing debt (Senior Old Money under the Restructuring Agreement) by offsetting credits (hereafter the "**Subscribers**").

– Nature of the credits to be offset: Those that the Subscribers decide to offset.

– Admission to trade (when securities are issued): The bonds may be admitted to trade on an official secondary market or other regulated markets, in multilateral negotiation systems, organized contracting systems, whether Spanish or foreign.

– Governing law and jurisdiction: The governing law and jurisdiction shall be those of Spain, of the State of New York or any others determined at the time of the Issue.

– Fungibility: There is the possibility that the Issues may be fungible among each other or that any or all of them may be fungible with any other issuance of securities that may be made by the Issuer in the future or that has been made in the past.

2.7 Issuing bonds to be subscribed by the creditor entities of the Abengoa Group that belong to the pre-existing junior debt creditors (Junior Old Money under the Restructuring Agreement) and/or signing the loan agreement.

The general characteristics of the Issue and/or of the Loan are as follows:

– Issuer/Creditor: Abengoa Group company to be determined.

– Type of securities to be issued (when securities are issued): The securities to be issued shall be simple bonds.

– Amount: The amount of the Issue and, where applicable, of the Loan shall jointly amount to a maximum equivalent to 30% of the amount of the credits owned by the Creditors of the Pre-existing Financial Debt (as such term is defined in the second proposed agreement above) that have participated in the Restructuring Agreement and have chosen to apply the Alternative Conditions of the Restructuring Agreement (as such term is defined in the second proposed agreement above) as regards the Abengoa Group under all or part of the debt instruments identified in the document attached as an Appendix to the second proposed agreement above and that copies the information contained in Part C (Affected Debt Compromised Debt) of Schedule 6 of the Restructuring Agreement (Schedule 6–Existing Financial Indebtedness: Obligors*)*, excluding those corresponding to the Entities to be Liquidated (Liquidating Entity Debt) amounting to a total of 7,523 million euros, which, by the date this agreement is executed, must be updated taking into consideration, among other factors, (a) the amount of the materialization of guarantees under the Restructuring Agreement; and (b) the update of the principal and ordinary interest accrued up to September 30, 2016, the date stipulated in the Restructuring Agreement for capitalization purposes, or its equivalent in another currency (according to the exchange rate published on that date by Bloomberg), or a combination of euros and another currency up to the maximum amount, to be determined according to the exact amount at the time of issuance up to the maximum amount.

– Maturity: 72 months, which begin on the Date of Execution of the Restructuring.

– Interest rate:

  - 0.25% per annum, accruing daily on the nominal amount of the bonds and/or Loan, payable in cash at the end of each interest period; and

  - 1.25% per annum, accruing daily on the nominal amount of the bonds and/or Loan, payable in cash at the end of each interest period. Notwithstanding the foregoing, in the event that the Issuer/Creditor were to verify that the cash available following the payment of the interest was less than 200 million euros, the interest accrued at 1.25% at the end of the interest period shall not be paid in cash and shall be fully incorporated at the par value of each of the bonds and/or the loan in the corresponding proportion. In successive interest periods, the basis to calculate the amount of interest shall be the new nominal value determined at the end of the interest period immediately prior to the current period, increased by the effect of the capitalization of interest.

– Interest periods: Quarterly.

– Issue price (when securities are issued): May be at par, below par or above par value.

– Payment of issue price and/or loan: The bonds and/or loan shall be subscribed by the creditor entities of the Abengoa Group that have participated in the Restructuring Agreement, that have expressly chosen to apply the Alternative Conditions and that meet the conditions to be incorporated in the group of pre-existing junior debt creditor entities ("Junior Old Money" under the Restructuring Agreement) by offsetting credits (hereafter the "**Subscribers**").

– Nature of the credits to be offset: Those that the Subscribers decide to offset.

– Admission to trade (when securities are issued): The bonds may be admitted to trade on an official secondary market or other regulated markets, in multilateral negotiation systems, organized contracting systems, whether Spanish or foreign.

– Governing law and jurisdiction: The governing law and jurisdiction shall be those of Spain, of the State of New York or any others determined at the time of the Issue.

– Fungibility: There is the possibility that the Issues may be fungible among each other or that any or all of them may be fungible with any other issuance of securities that may be made by the Issuer in the future or that has been made in the past.

3. Granting of powers of enforcement.

At the Shareholders' Meeting, it was also agreed to give the Company the power to sign, execute and formalize any agreements and documents relating to Issues or Loans, including, specifically, with respect to Issues, and without limitation, any prospectus or offering memorandum related to Issues and the documents assuming responsibility for their content, and any other public or private documents subject to the laws of the State of New York, Spanish law or any other determined to be either convenient or necessary for the purposes of the Issues, including, among others and without limitation, the guarantee of the Company, issue agreements (in the form of subscription agreements, purchase agreements or any others), guarantee agreements (personal or *in rem*), indentures, agency agreements (fiscal agency agreements or other similar agreements), powers of attorney of the financial entities and participants in the Issues, letters of appointment of procedural agents in the city of New York, where applicable, the physical certificates representing the securities issued and, in general, any documents, instruments, or agreements of ratification, supplement, modification, novation, correction, rectification and/or reformulation of any such documents, and any instruments or documents accessory thereto (everything hereby referred to as the "**Issue Documents**").

For the purposes of the foregoing, at the Meeting of Shareholders it was agreed to give the Board of Directors, to the extent of the Law, the express authority to substitute any of its members, to perform all acts necessary for the full effectiveness and execution of the abovementioned agreements and, in particular, to sign, authorize, approve, ratify, subscribe, execute, accede, modify, rectify, correct, cancel, one or more acts, in both public and private instruments and on behalf of the Company, the issuing documents in addition to any other documents, contracts, agreements, instruments or certificates that are either necessary or convenient or which are merely related to the issuing documents. "

*   *   *

This report was drawn up and approved by the Board of Directors of the Company at its meetings held on October 10 and 17, 2016.