UNIVERSITAT JAUME I

The favourable opinion and the crisis of Abengoa S.A.

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Index

Index of Figures

Index of Tables

Acronyms

ABG	Abengoa S.A.
AC	Current Assets
ANC	Non-Current Assets
ANCMV	Non-current Assets Held for Sale
CAPEX	Capital Expenditure
CNMV	Comisión Nacional del Mercado de Valores
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EFE	Cash Flow statement
EIP	Public Interest Entities
FM	Working Capital
HSBC	Hong Kong and Shanghai Banking Corporation

IGC2014	Consolidated Management Report Abengoa 2014
LAC	Account Audit Law
OPA	Takeover bid
PC	Current liabilities
PMV	Liabilities Held for Sale
PNC	Non-current liabilities
PWC	PriceWaterhouse
ROA	Return on Assets
ROE	Return on Equity
S&P	Standard and Poors
SABI	System of Analysis of Iberian Balances
UTE`s	Temporary Union of companies

Summary

The aim of this report is the economic-financial analysis of Abengoa S.A, a company that has been a benchmark in Spain for its evolution and growth in the energy sector. The analysis covers the period 2011-2014, years previous to the declaration of bankruptcy, as one of the objectives of this analysis is to see if the data presented by the company could have predicted the risk of declaring insolvency proceedings.

On July 21, 2015, the new Accounting Audit Law, Law 22/2015 was published. In general, this new Law is for all companies with economic activity; however the main changes affect especially the Public Interest Entities.

The articles of this law that affect the Public Interest Entities will be analyzed, in order to determine if their application to the audit report of Abengoa SA before the declaration of bankruptcy, would have been useful in detecting the serious risks that the company had.

The choice of this company is related to the possibility of combining two topics: the declaration of bankruptcy and the new Law 22/2015, both issues being related to the current and economic news.

Introduction:

In recent years, due to the great global financial crisis, important companies have declared bankruptcy, all of whom have the obligation to present and publish the annual and periodic financial statements, as well as quarterly updates of their operations and also the reports of audits of accounts. So it is surprising when, without prior notice, these companies declare bankruptcy.

The headlines reflect the amazement of shareholders and journalists specializing in economic media: "*Abengoa entra en concurso de acreedores y se hunde un 58.3% en Bolsa*"[1], "Cómo perdió Abengoa el 95% de su valor"[2], *"Abengoa, auge y caída de un gigante"* [3], *"Los afectados de Abengoa denuncian a Deloitte por posible falta de auditoría"* [4], *"Una treintena de empresas de Abengoa piden el preconcurso de acreedores"*[5] , *"Una crisis que evidencia, de nuevo, los límites de los auditores"*[6] .

I have chosen Abengoa, although this situation has happened in other companies such as Pescanova, Martinsa-Fadesa, Alteco Gestión and MAG, Inveryal (Reyal Rubis) and Nueva Rumasa, all of them on the blacklist of Spanish companies in bankruptcy, with huge debts that have led to a situation of insolvency.

Some of them have what has been called "creative accounting", accounting fraud and has led to consider questions about whether the accounting regulation is sufficient, the responsibility of the auditors of these companies and whether the information generated and transmitted by the company supervisors could have anticipated the fall.

The aim of this report is to do the economic and financial analysis of Abengoa SA (ABG), the analysis covers the period 2011-2014, the Balance Sheet, Income Statement, Cash Flow Statements (EFS) and the most important ratios: Financial profitability (ROE), Economic profitability (ROA), Indebtedness, Working capital (FM), management reports, ratings, the management style of the company and the audit reports of those periods.

[1] Expansión. 24/11/2015. Madrid. M.A.Patiño y D Badia
[2] El Mundo .27/11/2015. Madrid. Daniel Viaña
[3] El Mundo .27/11/2015. Madrid. Daniel Viaña
[4] Expansión 28/10/2016. Madrid EFE
[5] El diario.es 15/12/2015. Andalucía Europa Press
[6] Abc Economía 15/12/2015 . Madrid

The data sources are from the SABI, the ABG website, the consolidated reports deposited with the National Securities Market Commission (CNMV) and specialized publications.

On the other hand, I analyze the articles referring to the audit report of the Accounting Audit Act (LAC) Law 22/2015, of May 20, 2015, in which Spanish legislation is adapted to the European Directive 2014/46 / EU.

The objective is to see what aspects the new law has to Public Interest Entities and the new content of the audit report, in order to see if this new content applied to the data obtained from the economic analysis of ABG would have been sufficient to raise the alarm that something was happening in the company, or to inform the stakeholders in a clearer way of the situation of the accounts of ABG.

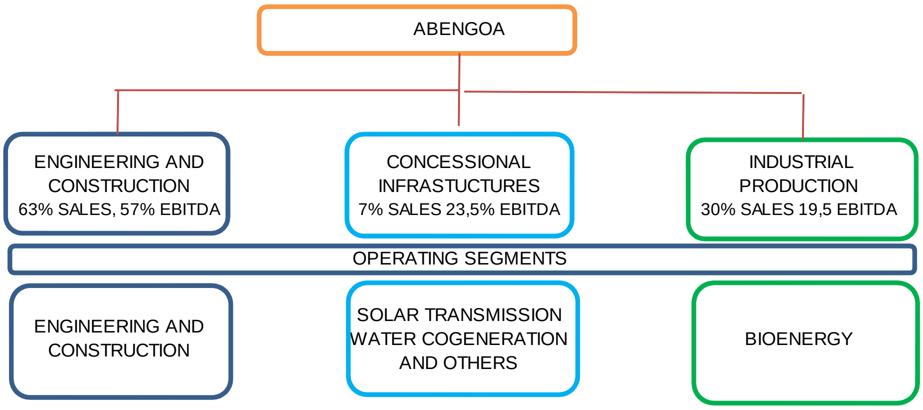
1. The Company

ABG was established in Seville on January 4, 1941 by the engineers Javier Benjumea and José Manuel Fernández Palasagua, the aim of manufacturing electrical meters. However, that initial objective of the company was not reached by a long way and currently (2014) Abengoa S.A. (ABG) is the parent company of a group of companies, now referred to as ABG or Group.

Its corporate purpose is described in article 3 of the company's bylaws, and within the varied range of tasks it encompasses; ABG stands out as an applied engineering and equipment company that provides integral solutions in the energy, telecommunications, transport, water, environment, industry and services.

With international expansion, the company is present in more than 80 countries where it applies innovative technological solutions for sustainable development in the energy and environment sectors, generating electricity from renewable resources, transforming biomass into fuels or producing drinking water from the sea.

Figure 1 : Structure of Abengoa



Own preparation: Data Source Consolidated Management Report 2014

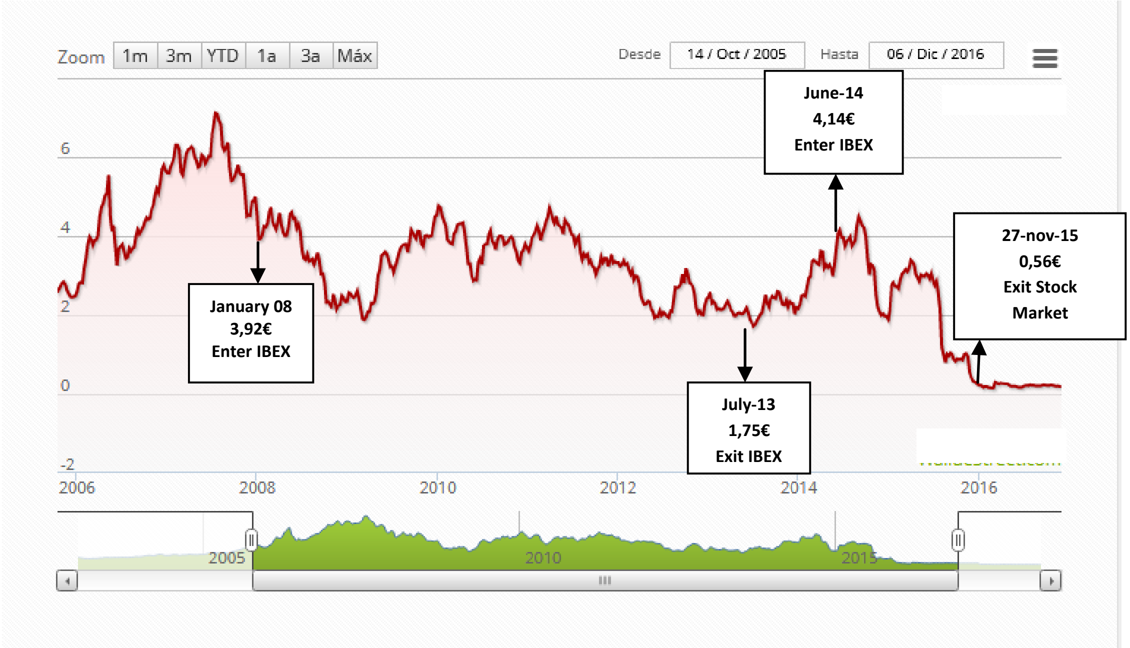
As shown in Figure 1, the business is configured under three activities:

- Engineering and construction: specialist in the execution of complex "turnkey" projects: solar thermal plants, conventional generation and biofuels, hydraulic infrastructures and desalination plants among others
- Concessional infrastructures: own concessional assets and also includes the operation of electric generation and desalination plants.
- Industrial production: businesses with a high technological component, such as biofuels are included.

Since 1990, it started its exponential growth and in 1996 it started trading on the continuous market. On January 2, 2008 (Figure 2) it entered the Ibex 35 , until July 1, 2013. On June 20, 2014 Abengoa returned to the Ibex. On November 24, 2015, it declared the request for pre-creditors' meeting, which was caused by the failure to find the necessary capital to continue operating. On November 27, 2015, its exit from the stock market occurred with a collapse in its value of 50% and an avalanche of sales [7] .

[7] Eleconomista.es. 26/11/2015 Madrid

Figure 2: Evolution of quotations



Own elaboration with data and graphic basis of walluestreet.com

With a market capitalization of 1,381 million euros in 2011, its main shareholders were the Benjumea family 56%[8] and the Blackrock fund (4.2%)

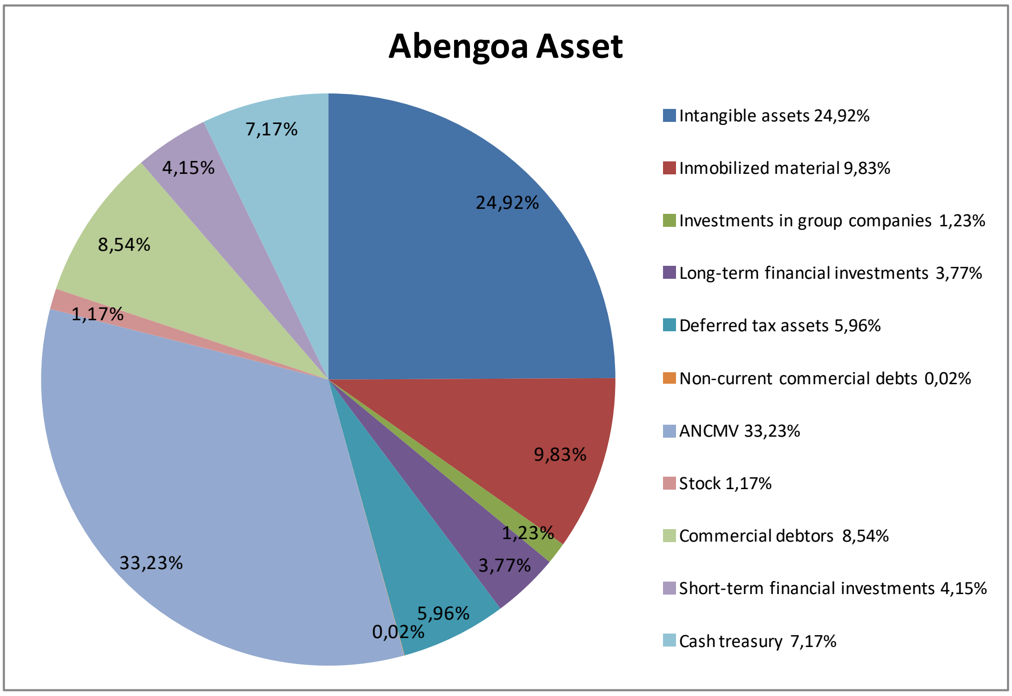
2. Analysis and interpretation of the financial statements

2.1 The Balance Sheet

At the end of 2014, ABG has assets of € 25,246,595m, of which 33.23% are non-current assets held for sale (ANCMV) and 24.92% are intangible assets[9] (Figure 3) and only 10.48% of the Asset is financed with net worth, the rest 89.52% is with debt.

[8] Through Corporate Investment: patrimonial vehicle of these families.
[9] Note 8 2014 Consolidated Report. Investments in research and development projects

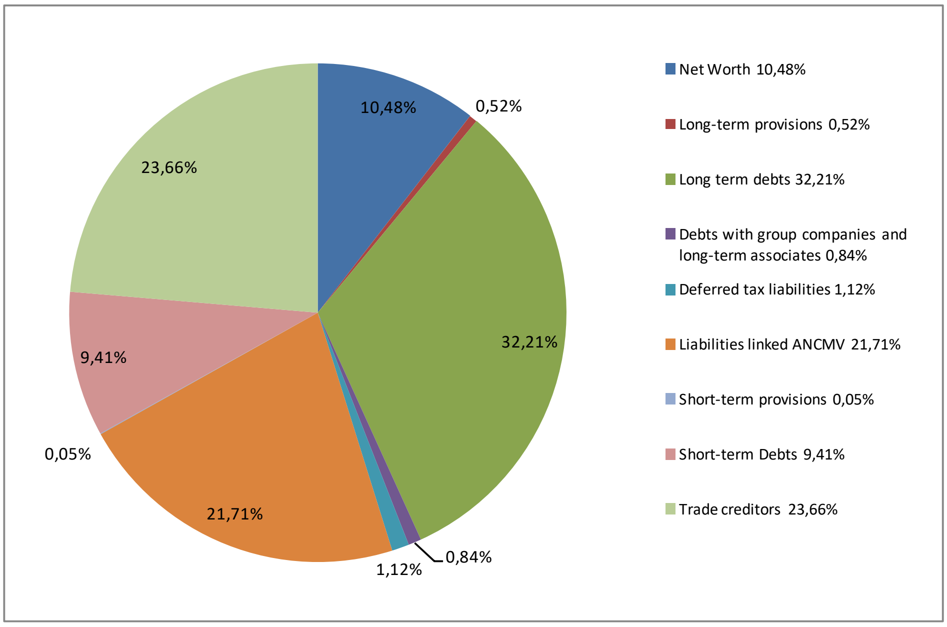
Figure 3 Asset Distribution Abengoa S.A. 2014



Own elaboration: SABI data source

In Figure 4, liabilities and net worth, it can be seen that 32.21% is long-term debt, 23.66% is commercial creditors, short-term debt only represents 9.41% and liabilities linked to ANCMV 21,71%.

Figure 4 Structure Liabilities and Net Worth Abengoa S.A. 2014



Own elaboration: SABI data source

Table 1 shows the vertical percentages of main parts of the balance sheet and their evolution in the study period. In 2014 it should be pointed out that the most marked changes between current liabilities (PC) and non-current liabilities (NCP) and current assets (AC) and non-current assets (NCA). Figure 5 compares the years 2010-2014. It is also clearly observed that Net Worth is 90% debt and only 10% corresponds to equity.

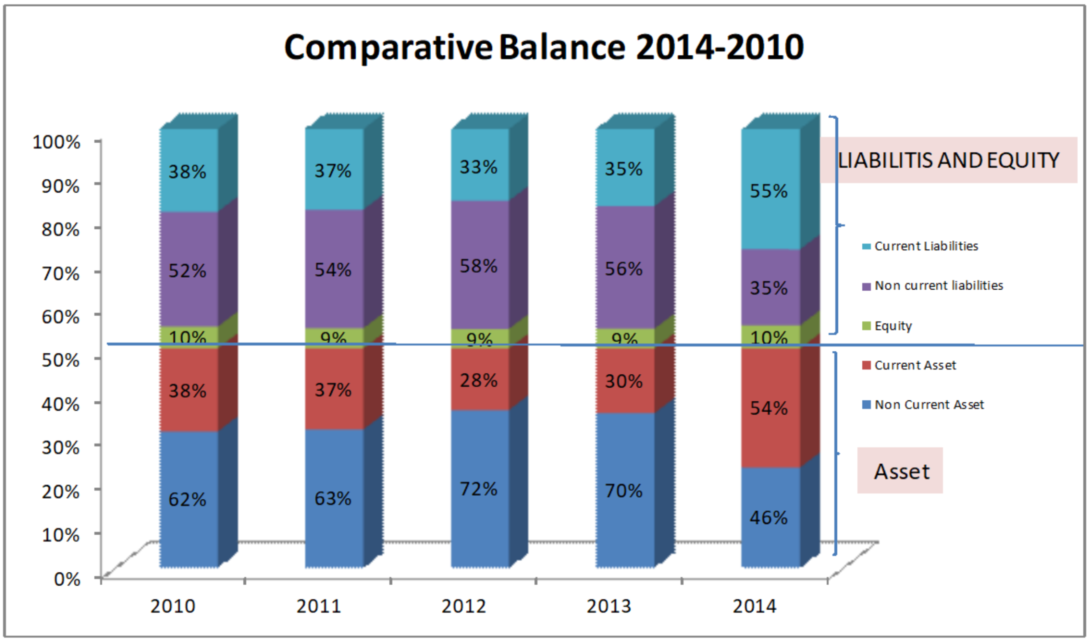
Table 1 : Structures patrimonial masses,% vertical, figures in €.

	2010	%	2011	%	2012	%	2013	%	2014	%
Non Current Asset	10.550.616	62%	11.850.457	63%	14.771.818	72%	14.907.977	70%	11.545.409	46%
Current Asset	6.423.210	38%	6.943.208	37%	5.773.501	28%	6.244.868	30%	13.701.186	54%
Total Asset	**16.973.826**	100%	**18.793.665**	100%	20.545.319	100%	**21.152.845**	100%	25.246.595	100%
Equity	1.687.156	10%	1.726.245	9%	1.831.606	9%	1.893.003	9%	2.646.172	10%
Non current liabilities	8.894.940	52%	10.161.047	54%	12.000.323	58%	11.819.423	56%	8.759.080	35%
Current Liabilities	6.391.730	38%	6.906.373	37%	6.713.390	33%	7.440.419	35%	13.841.343	55%
Total Liabilities and Equ	**16.973.826**	100%	**18.793.665**	100%	**20.545.319**	100%	**21.152.845**	100%	25.246.595	100%

Own elaboration: SABI data source

The increase[10] from 9% in 2013 to 10% of Net Worth in 2014 is due to the increase in non-controlling interests and corresponds to the capital increases carried out in certain Brazilian subsidiaries with non-controlling interests.

Figure 5 Comparison Balance years 2010-2014



Own elaboration: SABI data source

[10]note 18 of the consolidated report Abengoa 2014

2.1.1 Non-current liabilities:

Table 2 : Evolution PNC, verticales %
figures m.€

	2014		2013		2012		2011	
Non current liabilities	8.759.080	%	11.819.423	%	12.000.323	%	10.161.047	%
I Long term provision	131.776	**1,50%**	107.833	**0,91%**	198.465	**1,65%**	119.349	**1,17%**
II. Long term debts	8.132.901	**92,85%**	10.738.098	**90,85%**	11.191.395	**93,26%**	9.132.833	**89,88%**
1. negotiable values	*2.755.993*	***33,89%***	*2.638.083*	***24,57%***	*1.643.926*	***14,69%***	*1.625.763*	***17,80%***
2. Debts with bank entities	*5.030.517*	***61,85%***	*7.695.490*	***71,67%***	*8.892.457*	***79,46%***	*7.264.471*	***79,54%***
3. Financial leasing creditors	*24.064*	***0,30%***	*27.093*	***0,25%***	*28.090*	***0,25%***	*32.064*	***0,35%***
III. Long term debts with associated and affiliated	212.606	**2,43%**	646.188	**5,47%**	326.355	**2,72%**	676.756	**6,66%**
IV.Liabilities by deferred taxes	281.797	**3,22%**	327.304	**2,77%**	284.108	**2,37%**	232.109	**2,28%**

Own elaboration: SABI data source

Figure 5 shows how the NCP decreases in 2014, from 56% to 35%. This decrease is justified in the items of long-term debts and debts with credit institutions. Analysis of the decrease according to the 2014 report:

- note 19: there is a decrease in the financing of long-term projects, also a bond issue by Abengoa Greenfield S.A., another issue of Abengoa Yield Plc. bonds, and syndicated financing of Abengoa Yield. With respect to the debt with the cogeneration projects in Mexico, the debt existing in previous years was amortized. The financing of projects was reduced by the sale of Befesa, by the reclassification of the Qingdao desalination project as held for sale and by the effect of the conversion differences (mainly due to the depreciation of the Brazilian real against the euro).

2.1.2 Current liabilities

Table 3 : EvolutionPC, vertical %
figures m.€

	2014		2013		2012		2011	
Current liabilities	13.841.343	%	7.440.419	%	6.713.390	%	6.906.373	%
I. Liabilities related with non-current assets held for sale	5.480.518	**39,60%**	121.269	**1,63%**	0	**0,00%**	0	**0,00%**
II. Short term provisions	12.762	**0,09%**	9.506	**0,13%**	14.346	**0,21%**	15.758	**0,23%**
2. Other provisions	12.762	**100,00%**	9.506	**100,00%**	0	**0,00%**	0	**0,00%**
III: Short term debts	2.375.861	**17,16%**	1.504.063	**20,21%**	1.180.652	**17,59%**	1.325.894	**19,20%**
1. Negotiable values	1.096.965	**46,17%**	256.443	**17,05%**	30.880	**2,62%**	31.009	**2,34%**
2. Debts with bank entities	1.243.596	**52,34%**	1.221.532	**81,22%**	1.126.284	**95,40%**	1.257.488	**94,84%**
3.Financial leasing creditors	10.927	**0,46%**	12.945	**0,86%**	11.922	**1,01%**	8.841	**0,67%**
V. Trade creditors and other payable accounts	5.972.202	**43,15%**	5.805.581	**78,03%**	5.518.392	**82,20%**	5.564.721	**80,57%**
1. Suplliers	4.034.367	**67,55%**	3.707.468	**63,86%**	3.643.622	**66,03%**	3.429.983	**61,64%**
b/Short term suppliers	4.034.367	**67,55%**	3.707.468	**49,83%**	3.643.622	**66,03%**	3.429.983	**61,64%**
5.Liabilities by current taxes	337.297	**5,65%**	247.015	**4,25%**	181.832	**3,30%**	255.621	**4,59%**

Own elaboration: SABI data source

Regarding the PC there is an increase from 35% to 55% in 2014 (figure 5). The accounting items that increase are those of liabilities linked to ANCMV and short-term debts, the latter have increased by 57.96% over 2013. Analysis of the increase according to the report 2014:

- Note 7: The liabilities held for sale, correspond to the optimization plan of the financial structure of ABG with them proceed to 1/ Reduce the participation in Abengoa Yield and 2/ Accelerate the sale of assets of Abengoa Yield and 3/ creation of a joint venture with external partners for investment in concession assets in development and construction.

-Note 20: Loans with credit institutions increase: on September 30, 2014, ABG proceeded to close the refinancing of the previous syndicated loan through the subscription of long-term syndicated financing, with the revolving method[11]. On July 24, 2014, the convertible Abengoa 2014 bond reached its expiration, with the liquidation of the same. Due to the partial coverage of the obligations of the previous issue ABG subscribed during 2010-2011 purchase options on its own shares and exercisable with a maturity date of July 24, 2014, whose expense is recognized in the item other net financial expenses.

2.1.3 Non-current asset.

The most significant variation in the ANC (figure 5) occurred in 2014 compared to 2013, going from 70% to 46% of the total assets.

Table 4 : Evolution ANC, % verticales
figures en m.€

	2014		2013		2012		2011	
Non Current Assets	11.545.409	%	14.907.977	%	14.771.818	%	11.850.457	%
I. Intangible Assets	6.291.343	**54,49%**	8.737.911	**58,61%**	9.690.331	**65,60%**	7.007.696	**59,13%**
II. Tangible Assets	2.481.215	**21,49%**	2.562.453	**17,19%**	3.380.787	**22,89%**	3.388.191	**28,59%**
1. Property, plan and equipment	*633.207*	***25,52%***	*702.991*	***27,43%***	*862.061*	***25,50%***	*889.936*	***26,27%***
2.Technical fittings and other tangible assets	*1.766.277*	***71,19%***	*1.785.777*	***69,69%***	*2.080.604*	***61,54%***	*2.176.455*	***64,24%***
3. Fixed assets in progress and advances	*81.731*	***3,29%***	*73.685*	***2,88%***	*438.122*	***12,96%***	*321.800*	***9,50%***
IV. Long term investments in associated and affiliated companies	311.261	**2,70%**	835.682	**5,61%**	64.513	**0,44%**	51.270	**0,43%**
V.Long term financial investments	951.985	**8,25%**	1.444.492	**9,69%**	416.298	**2,82%**	291.282	**2,46%**
VI. Assets by deferred taxes	1.503.609	**13,02%**	1.281.092	**8,59%**	1.188.179	**8,04%**	991.903	**8,37%**
VII. Non current commercial debts	5.996	**0,05%**	46.347	**0,31%**	31.710	**0,21%**	120.115	**1,01%**

Own elaboration: SABI data source

The reductions are recorded in intangible fixed assets (table 4), investments in group companies and long-term associates, long-term financial investments. The increases are recorded in plant and equipment and deferred tax assets. Analysis according to data from the 2014 report:

-Note 8: The decrease in the Goodwill is due to the sale of BEFESA and to the differences in currency translation (depreciation of the Brazilian real). Also by reclassifications for the transfer of intangible assets to fixed assets in projects once they have been completed.

[11] Revolving: allows you to have a new credit as the initial credit is returned.

- note 7 [12]

- Note 14: Financial Instruments: indicates that the decrease is due to the unfavorable evolution in the derivative instruments of the interest rate and decreases due to the transfer of assets held for the sale of the derivative instruments of Abengoa.

- note 24: The company justifies its tax credits (deferred tax assets) for the negative tax bases that come from Brazil, the United States, Spain and the Netherlands. Also for tax deductions generated in Spain and pending implementation, highlighting deductions for double taxation, environmental investments, reinvestment of extraordinary profits and donations to non-profit entities.

2.1.4 The current assets

The AC has gone from 30% to 54% in the period 2013 to 2014 (figure 5).

Table 5 : Evolution AC, % verticales
figures m.€

	2014		2013		2012		2011	
Current Assets	13.701.186	%	6.244.868	%	5.773.501	%	6.943.208	%
B/Non-current assets maintained for sale	8.390.115	**61,24%**	166.403	**2,66%**	0	**0,00%**	0	**0,00%**
II. Stoks	294.789	**2,15%**	330.981	**5,30%**	429.357	**7,44%**	384.894	**5,54%**
III. Trade Debtors and other receivable accounts	2.156.916	**15,74%**	1.869.972	**29,94%**	1.892.808	**32,78%**	1.806.293	**26,02%**
1. Customers	1.477.711	**68,51%**	*958.544*	***51,26%***	*1.057.412*	***55,86%***	*1.070.472*	***59,26%***
a/ Customers for sales a long term	*1.477.711*	***100,00%***	*0*	***0,00%***	*1.057.412*	***18,31%***	*0*	***0,00%***
b/ Customers for sales and short term	*0*	***0,00%***	*958.544*	***100,00%***	*0*	***0,00%***	*1.070.472*	***59,26%***
5. Assets by current taxes	*595.784*	***27,62%***	*652.233*	***34,88%***	*644.507*	***11,16%***	*618.028*	***34,22%***
IV. Short term investments in associated and affiliated co	*0*	***0,00%***	*925.829*	**14,83%**	0	**0,00%**	0	**0,00%**
V. Short term financial investement	1.048.553	**7,65%**	0	**0,00%**	957.747	**16,59%**	1.013.904	**14,60%**
VII. Cash and equivalents	1.810.813	**13,22%**	2.951.683	**47,27%**	2.493.589	**43,19%**	3.738.117	**53,84%**

Own elaboration: SABI data source

The ANCMV increase from 2.66% to 61.24%, Commercial debtors increase by 15.34% and Cash and other liquid assets are reduced by 38.65%. According to the 2014 report:

- note 7 [13]

- note 15: Given the specific characteristics of some construction contracts, some projects may take longer to be invoiced, Customer balances correspond to work performed pending certification. The company maintains a series of factoring credit lines without recourse.

[12] developed in section 2.1.2 PC
[13] developed in section 2.1.2 PC

2.1.5- Highlights of the analysis of assets and liabilities

It should be pointed out that in this first analysis of the main parts of balance sheet:

- The net amount of deferred tax assets for 2014 (deferred tax assets minus deferred tax liabilities) is € 1,221,812, with a net equity of € 2,646,172, ie Assets per deferred tax. Deferred taxes represent 46.17% of Net Worth, and this type of assets require future benefits to be able to be realized.

- Another important item of the Asset is the Intangible Fixed with 24.92%, are investment projects in research and development, assets of uncertain profitability.

- Net Worth only 10% is equity and 90% corresponds to debts. In 2014, there was an increase in the CP in short-term debts of 57.96%, which may reflect a loss of long-term financing.

2.2. Solvency ratios

I will analyze the solvency and liquidity ratios : Working Capital (FM), Current Ratio and Quick Ratio (table6), all of them give indications on the liquidity of the company, that is, if the company has sufficient resources to face the most immediate payments.

Table 6: Cash flow ratios

CASH FLOW ANALYSIS				
	2014	2013	2012	2011
Working Capital	-140.157,00	-1.195.551,00	-939.889,00	36.835,00
Current ratio	0,99	0,84	0,86	1,01
Quick ratio	0,97	0,79	0,80	0,95
Quick ratio Without ANCMV	0,36	0,77	0,80	0,95

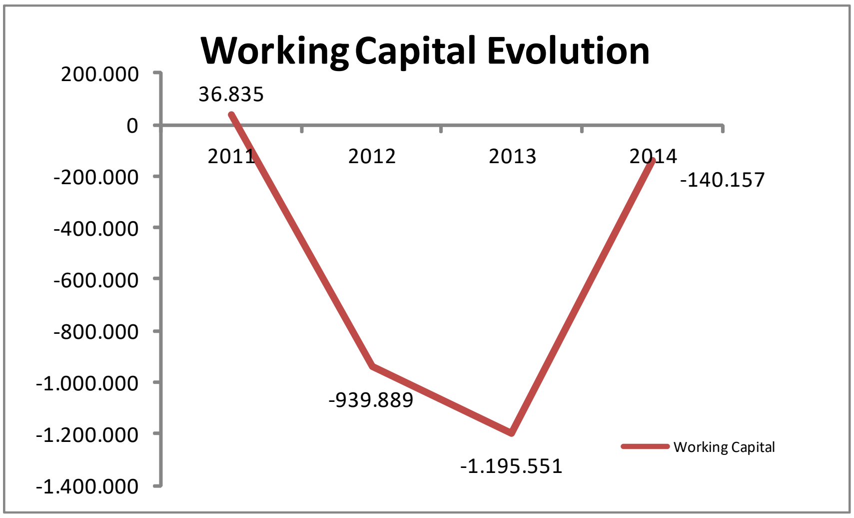
Own elaboration: SABI data source

2.2.1 Working Capital

In general, a company has good health when the FM is positive; when the FM is negative the company does not have sufficient resources to meet its immediate obligations, which could suggest serious problems, although the sector of activity is crucial.

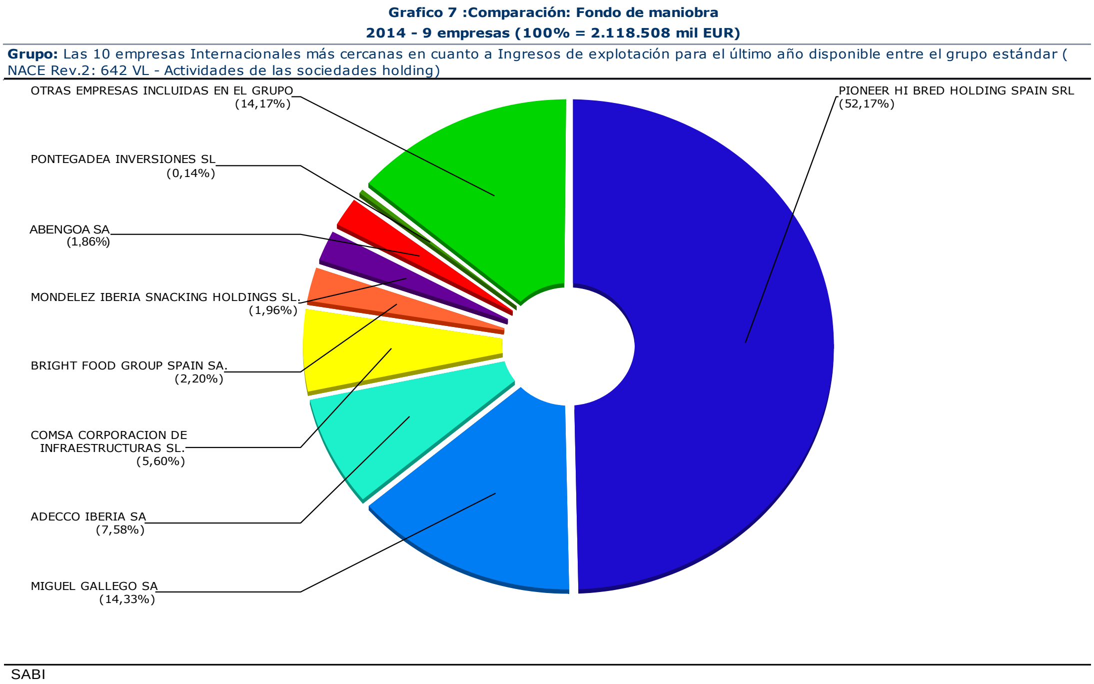
The FM (table 6) is calculated as AC-PC, gives negative values from 2012, despite the company's attempts to improve its liquidity by selling assets[14].

Figure 6 Evolution Working Capital, figures m.€.



Own elaboration: SABI data source

The sector to which the company belongs is also decisive when analyzing the FM, I have made a query in the SABI comparing ABG with companies in its sector. The result obtained can be seen in the Figure7, ABG has a very low FM compared to the rest of companies.



[14] Cincodías.com.01/06/2011.Madrid "*ABG vende su 40% de Telvent para tener más liquidez y reduce su deuda neta consolidada"*

After analyzing the sector, it can be said that the company is in a short-term financial imbalance (AC <PC), the AC and a part of the ANC is finance by the PC. The debts with suppliers and creditors are greater than the sum of the balances of the accounts of debtors, clients and treasury of the company.

2.2.2 Current Ratio

The Current Ratio (AC / PC), table 6, are lower than 1, except for the year 2011, therefore the company could not cope in the short term with its payment obligations, that is to say the AC <PC and therefore there is a risk of entering into suspension of payments.

2.2.3 Quick Ratio

The Quick Ratio (AC-Stock / PC), is an indicator that measures the ability of a company to pay its short-term obligations. If it is less than 1, it shows that the company may have liquidity problems. The results obtained are lower, detailed in table 6, but also when the company has ANCMV classified; this amount must be discounted to make the calculation. It is an achievable AC but it is conditioned to its sale to obtain that liquidity. The data obtained, discounting the ANCMV, is even lower.

2.2.4 Highlights of the analysis of the solvency ratios

- The liquidity situation is worrying, the company does not have room to manoeuvre and the ratios Current Ratio and Quick Ratio show that it can be declared bankrupt with any unexpected event.

- From the comparison with the reference sector, the data obtained does not reflect that this situation is typical of the industry in which the company operates.

- All the indicators reflect the same result: the lack of liquid assets to face their short-term liabilities.

2.3 Analysis of indebtedness and leverage:

2.3.1.The indebtedness

I analyze the indebtedness with the data in table 7.

Table 7 : Debt Ratios

	2014	2013	2012	2011
Debt to assets (P/A)	0,90	0,91	0,91	0,91
Short term debt (PC/PT)	0,61	0,39	0,36	0,40
Long term debt ratio	0,77	0,86	0,87	0,85

Own elaboration: SABI data source

The ideal debt ratio could be between 0.4 and 0.6, with a ratio below 0.4 the company may have excess idle capital, and therefore a loss of profitability of their resources. And if the ratio is higher than 0.6 it means that the company has an excessive volume of debt. In the case of ABG, the results are around 0.9, very high, therefore the company works with a high level of indebtedness, there being a risk that, as most of the investments made are uncertain, if the profitability asset falls[15] below the profitability of debt, the business is not sustainable in the long term. This index also reflects a measure of risk.

Regarding the quality of the debt, 2011 to 2013 remains at figures of 40%, while in 2014 it passes to 61%, have increased their maturities in the short term, this may mean that the company has difficulties in obtaining long-term financing and therefore be under more pressure because they must return their debts in the short term.

2.3.2- Leverage Ratio.

With the relationship between the debts and the net worth of the entity, the ability of a company to meet its financial obligations can be measured. It is important to know the debt ratio, since companies depend on a combination of debt and capital to finance themselves.

[15] Elpais.com 12/10/2017 *"ABG apuesta por los biocombustibles"* , depend on the price of oil and grain, two volatile variables that can reduce the profit margin.

Table 8: Leverage, figures m.€.

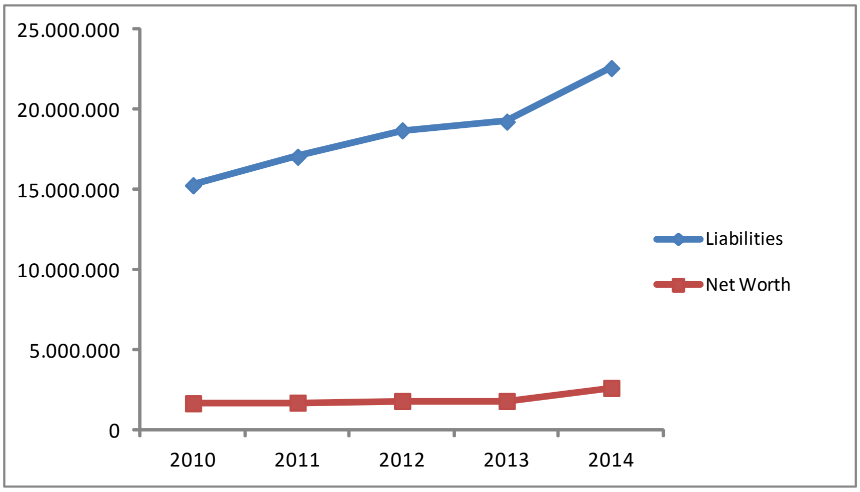
	2014	2013	2012	2011	2010
Liabilities	22.600.423	19.259.842	18.713.713	17.067.420	15.286.670
Net Worth	2.646.172	1.831.606	1.831.606	1.726.245	1.687.156
Leverage	8,54	10,52	10,22	9,89	9,06

Own elaboration: SABI data source

In table 8 we can observe that the company's debt is 10.52 times the company's own resources in 2013, and in 2014 it is 8.54 times.

But being leveraged is not necessarily a sign of problems, companies use leverage to obtain benefits, it allows them to access investments with lower own funds.

Figure 8 : Evolution Liabilities and Net Worth, figures m.€.



Own elaboration: SABI data source

Figure 8 shows how the level of indebtedness of the company is increasing, while the net worth remains in the same figures.

In the years 2010 to 2013, the debt is 10 times higher than the company's own resources. The large investments made by the company are mostly financed with bridge financing and, as soon as possible, they go to "Project finance"[16], in 2014, the

[16] A non-recourse financing guaranteed with the cash flow that is expected to generate and according to note 19 of the report this type of financing has as a key advantage the longer leverage period.

increase was due to bridge financing obtained by Abengoa Greenfield S.A. by issuing ordinary bonds[17].

2.3.3- Highlights of the analysis of indebtedness and leverage

- Abengoa has a high level of debt compared to its net worth, the debt ratio is very high, it has been maintained during the study period and in 2014 it is 90%.

- The short-term debt in 2014 is 61%, which seems to reflect problems in obtaining long-term financing as if the short maturities are longer than the long term, they can end up suffocating the company.

- The leverage indicates that the indebtedness is 8.54 times the company's own resources in 2014, representing a risk of insolvency for the creditor.

2.4 Analysis of rentability

2.4.1 Economic return

The economic or asset return ratio (ROA) relates the benefit before interest and taxes with the total assets, and indicates the return generated by the investment of the company independently of how it is financed. Financial expenses caused by the funds of others are not taken into account. The higher the ratio, the better the investment of the company is being used

According to the data in table 10 the ROA of the analysed period maintains a stable downward trend (figure 9), the year 2011 had a return of 3.65% that has fallen to 3.10% in 2014.

[17] Elmundo.es 14/11/2014 Daniel Viaña. *"Green Bonds"*, the obligations that caused the Fitch agency to lower ABG's rating and warned that the debt ratio was 4 times instead of 2.1 calculated by ABG.

Table 9 : ROA, ROE

	2011	2012	2013	2014
ROA	3,65%	3,23%	3,09%	3,10%
ROE	10,68%	9,64%	5,96%	6,35%
CF	2,91%	2,60%	2,81%	2,74%
Grade of leverage	9,479	10,057	10,195	9,222
Margin of Leverage	0,74%	0,64%	0,28%	0,35%
Financial Leverage (AF)	0,070	0,064	0,029	0,033
ROE = ROA+ AF	10,68%	9,64%	5,96%	6,35%

Own elaboration: SABI data source

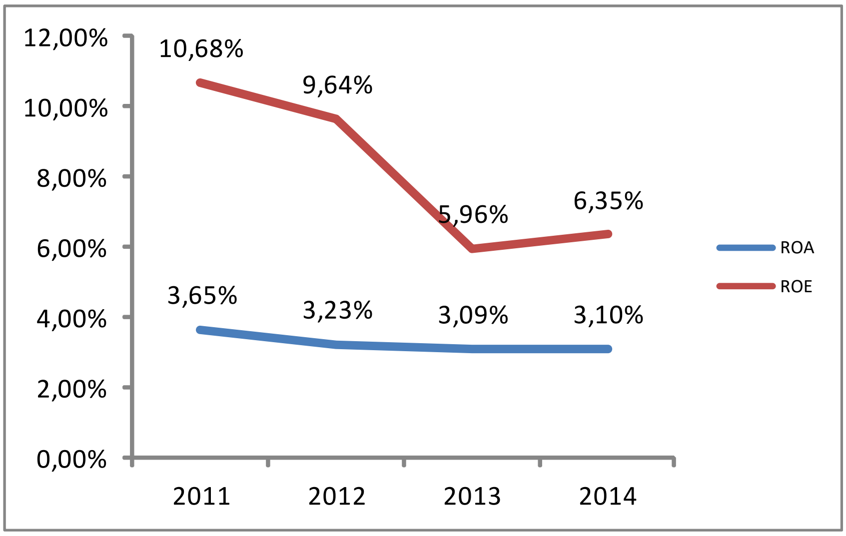
2.4.2 Financial returns.

The ratio of financial returns or own resources (ROE) represents the profitability for the shareholder, relates the economic benefit with the necessary resources to obtain that benefit. This ratio includes all the effects produced on the result figure over the period; therefore, it includes the cost of financing sources.

Both ratios are related and ROE depends on ROA and financial leverage.

If ROA is greater than the financial costs, the shareholder has incentives to borrow since the return on their assets is higher than their financing cost, as shown in the data in table 9.

Figure: 9 Evolution ROA Vs ROE



Own elaboration: SABI data source

In 2013 there is a sharp decline in ROE (Figure 9), down 4.72 percentage points, which coincides with a fall of 35.34% in profit and an increase in average net assets of 4.69%, which lowers profitability financial and the margin of leverage falls to 0.28%, with slight recovery in 2014.

2.4.3 Highlights analysis of rentability

- The return on assets is higher than the financial cost of the company, which encourages shareholders to borrow.

- The ROE is also high, shareholders obtain an additional return on their own

2.5 Analysis Income Statement and Cash Flows

2.5.1. Income statement

The data obtained from the income statement (table 10) reflects a stagnation in sales, with a figure of around € 7,000,000m. This may suggest that the company operates in a cyclical industry and is at the low end of the cycle or that the company is losing revenue and / or market share.

Table 10 : Income Statement m.€.

	2011	2012	2013	2014
Net Turnover	7.089.157	7.783.268	7.356.470	7.150.567
Operating earnings	844.198	774.638	793.966	933.158
Financial Result	-695.027	-728.704	-721.815	-854.742
Earning before tax	153.400	48.949	66.986	85.434
Net Income	273.692	171.553	110.324	121.877

Own elaboration: SABI data source

The net accounting profit for 2014 shows a decrease of 55% compared to 2011.

There is an increase in financial expenses that increases the negative financial result, going from 9.8% in 2011 to 11.95% in 2014, as a result of the group's increase in indebtedness.

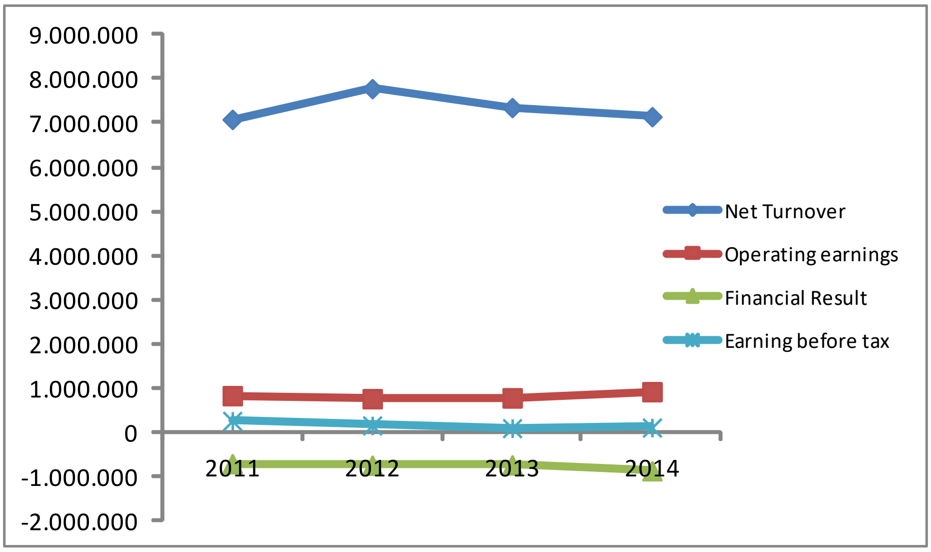
Table 11 : Percentage on sales, Income Statement

% on sales	2011	2012	2013	2014
Sales	100%	100%	100%	100%
Supplies	-72,97%	-67,75%	-60,60%	-57,10%
Staff costs	-9,83%	-10,27%	-10,31%	-12,19%
Others	4,20%	6,1%	7,8%	6,60%
Depreciation	-4,17%	-6,06%	-7,76%	-6,64%
Financial expenses	**-9,49%**	**-8,52%**	**-10,37%**	**-11,47%**
Net operating profit after tax	**3,86%**	**2,20%**	**1,50%**	**1,70%**
Debt (financial)	147,5%	159,0%	166,4%	147,0%
Net worth	24,35%	23,53%	25,73%	37,01%

Own elaboration: SABI data source

The result of the maintenance of the turnover [18] and the increase in financial expenses is reflected in the decrease in profit for the year, which goes from representing 3.86% of sales in 2011 to 1.7% in 2014 (table 11).

Figure 10 : Income Statement , figures m.€.



Own elaboration: SABI data source

2.5.2. Cash Flows statement

The analysis of the state of cash flows (EFE) records all the money that enters and leaves the company and measures the capacity to generate cash in the company. With

[18] Eleconomista.es 14/11/2014 Sevilla . Carlos Piza. *"Los mercados reaccionaron y manifestaron sus dudas sobre el negocio principal y la deuda de ABG y las acciones cayeron un 36,55%"*

it we can observe the increase or decrease of debt, interest payments and investments made and dividends paid.

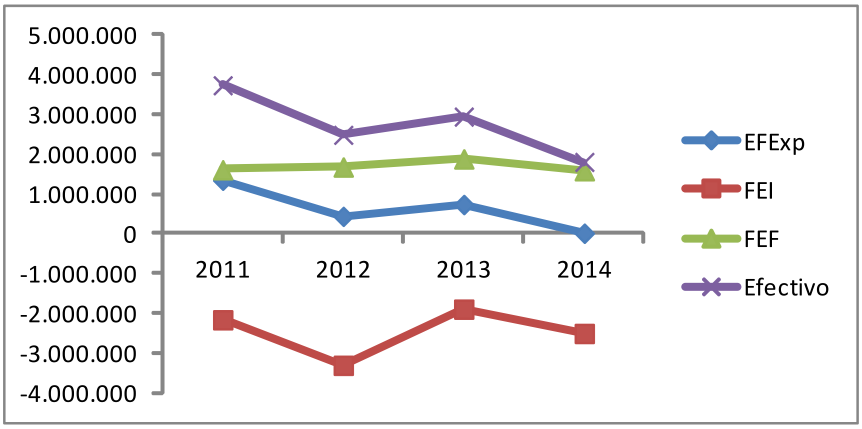
It is interesting to do this study because, as indicated by some analysts[19], the accounting profit is subject to a certain discretion on the part of the management team when it comes to recognizing income and expenses, and the management team can alter the results to some extent at their convenience, without the need to commit fraud, simply applying the criteria that best suit each situation. However, the cash flows entering and leaving the company are more difficult to manipulate and are considered a more realistic reflection of the real benefit of the company.

During the years 2011-2014 ABG as a business generated € 2,554,731 million from operating activities, this is income derived from its business. Interest payments during this period amount to 2,333,978 m. €.

The cash flow from investment activities is € -9,846,865m, mostly due to the strong investment activity of the entity in property, plant and equipment, intangible assets and real estate investments (CAPEX: capital expenditures).

Therefore, the entity was paid in that period € 9,846,865, and it received € 2,554,731. The difference was obtained from financing, € 6,774,318. This financing may be foreign, bank, corporate or shareholder. The majority was carried out through the issuance of financial liability instruments amounting to 5,229,359. It neither amortizes nor returns any more debt in the period analysed, nor does the Operating Activity Flows plus the divestments give a positive result. As a consequence, there is an absence of profitability and excess of indebtedness.

Figure 11 : Evolution Cash Flows Statements, figure m.€.



Own elaboration: SABI data source

[19] Walluestreet.com

2.5.3 Highlights of the analysis of the income statement and EFE

- Business turnover continues to decline, which produces doubts about the profitability of the main business

- A high financial expense, increasing in the study period and a low profit, only 1.7% of the turnover in 2014.

- The study of the EFE reflects a large investment carried out with financing through financial liability instruments, and operating income that does not cover the investments made.

- Absence of profitability and excess of indebtedness.

3. Analysis of the consolidated management report

This section is developed with the data obtained from the consolidated management report for 2014 (IGC2014).

3.1 : Situation of the Entity

In section 1.1 (IGC2014), Organizational Structure, it is the information on the structure of the conglomerate of companies that form the group and in Table 12 shows the high number of companies that comprise it, as well as its participation in the Temporary Business Units (UTEs).

Table 12: Conglomerate companies ABG Group

	2014	2013	2012	2011	2010
Dominant	1	1	1	1	1
Dependents	607	534	568	529	595
Associates	17	19	16	18	21
Joint business	28	24	33	35	28
Group Companies	653	578	618	583	645
UTEs with participation	244	277	224	241	353

Own elaboration: Data source Abengoa 2014, Consolidated Management Report

3.2 Evolution and result of business

In section 2.1e / Consolidated financial statement the company (IGC2014) describes the following :

- Drop in non-current assets of 23%, produced by the transfer of assets held for the sale of all the assets included in the plan for optimizing the financial structure.
- 25% decrease in non-current liabilities, mainly due to the transfer of liabilities held for the sale of all liabilities included in the optimization plan of the financial
- Net increase in current liabilities of 85%, mainly due to the transfer of PMV and the increase in corporate financing due to the reclassification of the long-term Abengoa ordinary bond due in February 2015 and the convertible bond maturing in 2017.

In section 4 main risks and uncertainties (IGC2014), point 4.1.2 Operational risk the report says:

- Abengoa operates with high levels of indebtedness and may incur additional indebtedness. To measure this indebtedness, it uses the Company's net leverage ratio on EBITDA, excluding debt and EBITDA corresponding to projects financed under the non-recourse modality. As of December 31, 2014, this ratio is at 2.11, with its maximum limit being 2.5 until December 2015.
- The level of indebtedness could increase in the future due to investments in CAPEX[20]. This high level of indebtedness could require the dedication of a substantial part of the operating cash flow to the payment of that debt, reducing the capacity to finance the working capital.
- Similarly, the high level of indebtedness may hinder the company's ability to satisfy its obligations or finance its debt, increase its vulnerability to adverse conditions in the economy or industry, restrict its ability to distribute dividends.
- If in the future the debt increases as a consequence of the development of multiple new projects and the interests associated with it, the operating cash flow, cash and other resources may not be sufficient to meet the Company's payment obligations or to the liquidity needs.
- However, it must be specified that the breach of obligations (such as maintaining certain financial ratios, restrictions on the payment of dividends,

[20] CAPEX are capital investments that create benefits. A capex is executed when a business invests in the purchase of a fixed asset or to add value to an existing one. They are included in an asset account.

restrictions on the granting of loans and guarantees and restrictions on the disposition of assets) assumed by the company against the different Financial entities that receive their external financing could cause the payment obligations to expire early and execute guarantees that may have been granted in their favour. Likewise, such breaches could lead to the early expiry of the contracts to which they refer and those that have included express pacts of reciprocal noncompliance (cross default clauses that have most of the corporate debt contracts) motivated by unpaid amounts.

- Additionally, ABG could be obliged to amortize in advance the debt arising from financing agreements, convertible bonds and bonds.
- The company depends on short-term financing lines to finance the needs of working capital. If these lines reduce or cancel in some way the company would be forced to look for other sources of financing that would suppose a level of indebtedness.
- Risk of lower net profit derived from the rotation of assets, Abengoa cannot guarantee that in the future it can continue to obtain the same net profit as before.

3.3 Other relevant information

In section 10.3 Credit Quality Management (IGC2014) is the ratings, these are granted by the agencies based on the rate of default and the debt of the capital markets:

Table 13: ABG ratings

	2012		2013		2014	
	Rating	perspective	Rating	perspective	Rating	perspective
S&P	B+	negative	B	negative	B	positive
Fitch Ratings	B+	stable	B+	stable	B+	negative
Moody's	B1	negative	B2	negative	B2	positive

Own elaboration: Data source Abengoa 2014, Consolidated Management Report

The three ratings companies, Standard and Poors (S & P), Fitch Ratings and Moody's, place the ABG Group with the same rating B + or B1 and B or B2. The B or B2 rating is below B + or B1, then in the years 2012-2014 there has been a negative evolution with respect to the ratings granted. These indicate significant risks of non-compliance with financial commitments and ability to pay, and under adverse financial or economic conditions, their ability or willingness to comply with their obligations would probably be impaired.

The perspective or trend of the rating evaluates the potential direction of the rating (generally from 6 months to two years), means that changes in economic conditions and / or business are taken into account, although this does not mean a future qualification.

3.4 Highlighting the analysis of the management report

- The group is formed by a large number of companies, with the consequent management and control difficulties.
- ABG recognizes a significant increase in its financing.
- They work with a very high level of indebtedness that can lead them to default on their obligations.
- Need for financing in the short term.
- Ratings of rating companies are low.

4. Evolution in the stock market

Figure 12 shows the evolution of the price Abengoa share. According to technical analysts[21] , this type of value is very volatile, with continuous ups and downs, and the collapse observed since 2007 is in line with highly leveraged companies. In 2012 there was a sharp decline in the share price [22]. In this period market analysts and operators have already observed in the company a strong indebtedness and inability of the company to generate cash, therefore with serious doubts that it can compensate shareholders through dividends.

In 2014, after the statements of the rating agency Fitch, the share price fell. A hard report, stated that the accounts of ABG had a debt lower than the actual one, at which point they began to speak of "accounting engineering and falsification of accounts."

The company responded that it had been a communication problem regarding the types of debt and its annotation and issued a relevant fact to the CNMV[23] explaining the misunderstanding, but this did not convince the investors and the price continued to fall.

The origin of the discrepancy is in the green bond issued on September 30, accounted as non-recourse debt in process, because they were allocated to finance long-term

[21] CapitalRadio.es 1/11/2014. Madrid José Lizán y Alberto Iturralde
[22] Dondividendo.com .12/12/2012
[23] El Mundo 14/11/2014. Madrid. Daniel Viaña

projects. Fitch said the company did not include the bond in corporate debt, and this caused investor fear, with the suspicion that the accounts were made up to present a better balance.

Fitch also issued a report stating that the debt ratios were four times higher than what the company was reporting in the third quarter 2014 results.

To the trigger of Fitch, data presentation is added in the last quarter of 2014, where there is a cut in revenue expected for 2014, the immediate consequence is the loss of credibility and the price of its shares falls on the market.

Figure 12 : Evolution of the share price ABG

Source : www.rankia.com/blog/bolsa-al-dia

In summary: The lack of profitability, falling sales, excessive indebtedness and lack of credibility in the accounts is equal to stock market crash. Acts known to the markets that qualify the shares of as "chicharros"[24] .

5. Management style of Abengoa

Two management styles can be observed in the listed company [25]:

- One-tier management system: the management board has full executive powers and the only control is the meeting of shareholders, which usually does not have any effective decision-making capacity, since they only serve to ratify the proposals of the highest governance body, which is managed by the president as first and sovereign
- Two-tier management system: a supervisory organism and management organism.

[24] According to Gregorio Hernández Jiménez of inveierteenbolsa.info, low-quality small companies are called chicharros, which enter losses relatively frequently and which, from time to time, have, or may have, spectacular increases, multiplying their price by several times, in a few months.
[25] Modelo del Gobierno Corporativo de la empresa del IBEX 35. Publicaciones monográficas CNMV

In ABG we find a clear example of one-tier Management system. The power and absolute control was of the executive chairman of the board [26], Felipe Benjumea, it is true that he only lived for the company, he wanted his creature to become a giant, he just wanted to grow and grow, innovate and apply the most advanced technology to pharaonic engineering works, bring clean energy to millions of families, assault the markets and quote on the Nasdaq. All without losing power and changes in its management team. And he succeeded, but his command structure was like that of a small family business, without a supervisory organism that would protect the global interests of company.

To finance its spectacular conquest in the markets and to undertake daring projects, it went to the debt, which reached a mere € 26,000m. His financial managers implored him to inflate money without increasing the liability, but he closed in band. "As a family shareholder, he always had an aversion to diluting capital, it was hard for him to give up having less capital for something that is worth something, than to have a lot of nothing. He was afraid of OPA because he looked like an expert in candy," explains one of his closest collaborators. The mandatory rules of ABG dictated that getting into debt "it was fine because it allowed you to grow"[27].

The creditors of ABG had problems accessing of the accounts company and the requests of investor were ignored during that period: "we had doubts about how the debts were accounted for and we asked, but they did not give us an answer”[28]. In the company the law of silence prevailed, the company vetoed its employees so that they would not make public the real accounts.

In summary: We cannot forget that ABG is a multinational listed on the stock market, a company to which the shareholders entrusted their savings, directly or through investment funds, and the company was managed with an opaque management style. and sombre, dominant and intolerant and all this incompatible with the flexibility, agility and transparency required by the management of a listed company in the current globalized economy[29].

[26] Elconfidencial.com 30/11/2016
[27] Elpais.com 12/10/2017 Sevilla. Paco Puentes *El ascenso y la pesadilla de ABG*
[28] Elespanol.com 27/11/2015 Madrid *“ABG oculto su estado financiero a pequeños accionistas durante dos años”*
[29] Eldiario.es 24/09/2015 Fernando Vicente *La ABG de Benjumea ha muerto*

6. The audit report

6.1 Concept of Accounting Audit and Legal Framework

The audit of accounts according to the Law 19/1988, on the July 12, is that activity consisting of the review and verification of accounting documents, provided that the purpose is the issuance of a report that may have effects against third parties. It must be verified whether these accounts express the true image of the assets and the financial situation of the company or entity audited, as well as the results of its operations and the resources obtained and applied in the period examined in accordance with the Code Commerce and other applicable legislation. The agreement of the management report is also included with these accounts.

The activity will be carried out by an auditor of accounts issuing the corresponding report. (Article 2 RD 1636/1990)

As stated in the preamble of Law 22/2015 on the July 20th, the activity of auditing accounts is characterized by the public relevance it plays in providing a service to the reviewed entity and affecting and interesting not only the latter, but also to third parties that maintain or may maintain relations with the same, given that all of them, the audited entity and third parties, may know the quality of the audited financial economic information to which the audit opinion relates. And under these principles the new contents of the audit report are established.

6.2 The new content of the audit report

Table 14: Law 22/2015 changes in article 5: Audit Report

New content of the audit report (only the novelties of article 5th are indicated)
1. The audit report of the annual accounts is a commercial document that must include, at least, the following content: c) Explanation that the audit has been planned and executed in order to obtain reasonable assurance that the annual accounts are free of material misstatements, including those derived from fraud. Likewise, the most significant risks of the existence of material misstatements, including those due to fraud, a summary of the auditor's responses to said risks and, where appropriate, the essential observations derived from the aforementioned risks, will be described. d) Declaration that no services have been provided other than those of the audit of the annual accounts or concurrent situations or circumstances that have affected the necessary independence of the auditor or audit firm, in accordance with the regime regulated in sections 1st and 2nd of chapter III of title I. e) A technical opinion in which it will be clearly and precisely stated if the annual accounts offer a true image of the assets, financial situation and results of the audited entity, in accordance with the financial reporting framework that is applicable and, in particular, with the accounting principles and criteria contained therein. The opinion may take four forms: favorable, with reservations, unfavorable or denied. When there are no exceptions, the opinion will be favorable. In the event that there are such exceptions, all of them must be reflected in the report and the technical opinion shall be qualified, unfavorable or denied. Likewise, any significant or material uncertainties related to events or conditions that could raise significant doubts about the capacity of the audited entity to continue as a functioning company will be indicated. Reference will also be made to the issues that, not constituting a reservation, the auditor should or should deem necessary to emphasize in order to emphasize them. f) An opinion on the agreement or not of the management report with the corresponding accounts for the same year, in the event that the aforementioned management report accompanies the annual accounts. Likewise, an opinion shall be included on whether the content and presentation of said management report is in accordance with the requirements of the applicable regulations, and the material errors that may have been detected in this matter shall be indicated. 2. The audit report must be issued by the auditor or the audit company, so that it can fulfill the purpose for which the audit of accounts was contracted. The lack of issuance of the audit report or the waiver to continue with the audit contract, may only occur due to the existence of just cause. In any case, it is considered that there is just cause in those cases in which one of the following circumstances occurs: a) Existence of threats that compromise the independence or objectivity of the auditor or of the audit firm, in accordance with the provisions of sections 1st and 2sd of Chapter III of Title I and, where applicable, in Section 3rd of Chapter IV of Title I. 4. The annual accounts audit report must be accompanied by all the documents that make up the accounts subject to audit and, where appropriate, the management report. The publication of these documents, together with the audit report, will be governed by the provisions of the regulatory financial reporting framework that may be applicable. 6. The audit report will be written in clear and unambiguous language. In no case may the name of any public body or institution with powers of inspection or control be used so that it may indicate or suggest that said authority supports or institution with inspection or control powers be used so that it may indicate or suggest that said authority endorses or approves the audit report.

Own elaboration: BOE data source, July ,20th 2015.

For entities of public interest (EIP), as this case, articles 35 and 36 also apply.

Table 15: Law 22/2015 changes in article 35: Audit Report

Article 35. Annual accounts audit report.
1.The audit report of the annual accounts of a public interest entity shall be prepared and presented in accordance with the provisions of this law and in article 10 of Regulation (EU) number 537/2014, April 16. 2. However, the provisions of article 5.1.f) on the management report will not be applicable in the following cases: a) In the case of audits of consolidated accounts of companies referred to in article 49.5 of the Commercial Code and of the individual annual accounts of companies referred to in article 262.5 of the consolidated text of the Capital Companies Act, in relation to the statement of non-financial information mentioned in the aforementioned articles, or, where appropriate, with the separate report corresponding to the same year to which reference is made in the management report, including the information required for said status in article 49.6 of the Commercial Code, in accordance with the provisions of article 49.7 of the Commercial Code. In both cases, the auditor must check only that the aforementioned non-financial information status is included in the management report or, if applicable, the corresponding reference to the separate report has been included in the form provided in the aforementioned articles in the previous paragraph. In the event that this is not the case, it will be indicated in the audit report. b) In the case of audits of accounts of issuers of securities admitted to trading in secondary securities markets, in relation to the information contained in article 540.4. section a), section 3rd, section c), sections 2sd and 4th to 6th, and sections d), e), f) and g) of the revised text of the Capital Companies Law, approved by Real Legislative Decree 1/2010, July 2th. In this case, the auditor should only verify that this information has been provided in the annual corporate governance report included in the management report. In the event that this is not the case, it will be indicated in the audit report. It is modified by art. 3 of Royal Decree-law 18/2017, of November 24. Ref. BOE-A-2017-13643This modification will be applicable for the fiscal years that begin as on January 1st, 2017, as established in final provision 4th of the aforementioned Royal Decree-Law.

Own elaboration: BOE data source, July ,20th 2015.

Table 16: Law 22/2015 changes in article 36: Audit Report

Article 36. Additional report for the Audit Committee in entities of public interest.
1. The auditors of accounts or audit companies of entities of public interest shall prepare and submit an additional report to the audit of the annual accounts, in accordance with the provisions of Article 11 of Regulation (EU) No 537/2014. in April 16. In the case of the audit of consolidated annual accounts, the group auditor must prepare this additional report to be delivered to the parent company. 2. When requested by the national supervisory authorities of public interest entities, the additional report to the Audit Committee will be provided to them without delay by the auditors or audit firms.

Own elaboration: BOE data source, July ,20th 2015.

In summary :

The most important changes that the legislator establishes with the LAC 22/2015, in order to improve transparency and in accordance with the public relevance of the audit report, would be the following:

- Should inform of the main risks identified by the auditor and the procedures carried out.
- The language used should be clear and unambiguous
- The auditor must annually confirm the independence of the Audit Committee
- The EIP auditors must submit an additional report to the Audit Committee of the annual accounts to the Audit Committee.
- This report must be delivered to the national supervisory authorities who request it

6.3 The audit reports of Abengoa S.A.

Table 17: Results of ABG audit reports

	Abengoa audit report result					
	2010	2011	2012	2013	2014	2015
Auditing company	Pwc	Pwc	Deloitte	Deloitte	Deloitte	Deloitte
Opinion	favourable	favourable	favourable	favourable	favourable	favourable
Qualifications	NS	NS	NS	NS	NS	NS
Paragraph of Emphasis	NS	NS	NS	NS	NS	YES
Fees (thousands €)	6.902	6.688	6.178	5.988	7.914	6.324

Own elaboration: Data source Report Abengoa S.A. 2010-2014

From 1996 to 2011, the auditing company was Pricewaterhouse (Pwc), the reports that were issued in that period were with favourable opinion and without any paragraph of emphasis[30]. In 2012, they took over from Deloitte, which will audit ABG until today. All the reports that Deloitte issued in the study period 2011-2014 have been favourable, without any paragraph of emphasis.

[30] If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in their judgment, is of such importance that it is essential for users to understand the financial statements, it will include an emphasis paragraph. ICAC.

6.4 Highlighting the analysis of the audit report

In none of the reports did the auditors issue any type of information in addition to their own opinion. I have to assume that, with these results, Pwc and Deloitte will be able to demonstrate with their work papers that sufficient and adequate evidence has been obtained from the audit process.

Even so, it seems difficult to justify that it is not indicated in any paragraph of emphasis:

- That deferred tax assets could only be offset in the future, and if they are not offset, the net worth would be reduced by the percentage they represented.
- A debt ratio of 90% maintained during the years
- Negative working capital, maintained during the last 3 years which could reflect problems in compliance with the obligations of the company.

7. Announcement of bankruptcy

On November 13th, 2015, after issuing the quarterly report, Deloitte advises of the problems that ABG has to access the debt markets and the renewals of the working capital lines, together with the negative results of operations and evolution negative of the quotes of ABG, were indicators of the existence of an uncertainty that can generate significant doubts about the ability of the company to continue as a functioning[31].

On November 25th, 2015, the Andalusian company informs the CNMV that it accepts Article 5 bis of the Bankruptcy Law, which protects against the claims of its creditors for an initial period of three months, to continue with the process of negotiation that is taking with its creditor entities in order to reach an agreement that guarantees financial.

The critical situation of Abengoa had led to the disbanding of investors, a drop of 53.85%. Gestamp had announced on the 8th of November an agreement with ABG to inject 350 million euros to the group and relax their financial situation, the goal of Gestamp was to become the first shareholder of ABG with 28%, displacing the Benjumea family that would come down from the 50% to 20%. Gestamp was going to pilot the new salvage plan Abengoa. This plan was designed by the creditor banks, including Santander, HSBC and Credit Agricole, but after several meetings and

[31] Europapress.es 13/11/2015 *"Deloitte advierte de incertidumbres en la viabilidad de ABG"*.

surprises (historical losses of the first nine months and the bulky debt with suppliers) and not to reach an agreement with the bank they withdraw from the offer.[32].

8. The multi-million indemnities of the executive board

During the year 2015 "ABG skates in the puddle of reputation"[33]. The CNMV requires the company to report the contracts signed with the executive president and CEO, because these were not included in the corporate governance report in 2014, a report in which it was ensured that none of the executives had any type of shielding.

In fact, until 2014, the managers did not have any type of shielding or the right to collect compensation for leaving their functions. The commercial contracts were signed in 2015, between March and April, for its two main executives, the CEO and president.

These contracts stipulate that the company will compensate the executive directors economically in the event of termination of the contractual relationship, provided that it is not due to the free will of the director or as a result of non-compliance with its obligations.

Based on these contracts, the Managing Director, Manuel Sánchez Ortega, received € 4.48 million €[34] and ceased on May 19, 2015, alleging personal reasons.

On September 24, 2015 Felipe Benjumea left the presidency of ABG, having signed a contract in April for which he would receive compensation for termination and bonus for permanence of € 11.48 million €, the reasons for his dismissal were a requirement non-negotiable of the banks in charge of the capital increase that was being prepared at that time

These figures were presented in the reports of the third quarter of 2015, a critical moment because, as already mentioned in the previous section, Deloitte already advises of the difficulties that ABG has to achieve its capital increase and its future viability is at risk.

In view of this situation, the bondholders considered the compensation of the directors to be exorbitant, arguing that they were looking for their personal gain instead of the

[32] Expansión.com 24/11/2015 *"ABG entra en preconcurso de acreedores"*
[33] ElConfidencial.com 17/06/2015 *"ABG aflora un blindaje millonario al CEO y al presidente tras ocultarlo a la CNMV"*
[34] Elpais.com 18/12/2015 *"El juez retiene las indemnizaciones de la antigua cúpula de ABG"*

interests of the investors of the company and they filed a complaint against the top executives.

In January 2018, the National Court absolved the board of directors [35], the sentence says: the unfair administration of the assets of ABG has not been proven and the indemnities were in line with the existing legal and contractual regulations. It also recalls that the retirement of Felipe Benjumea was determined by the imposition of the banking entities to ensure the capital increase. It has not been accredited that the contracts were drawn up to favour the executives, any form of collusion is ruled out to favour the economic interests of outgoing executives.

Despite the outcome of the ruling, there is no doubt that the Chairman and the CEO had full knowledge of the company's situation, and the figures and data offered were to attract investors and obtain financing.

9. Conclusion

After the economic and financial analysis of ABG, I can conclude with the date before that the company declares itself in a situation of insolvency:

- ✓ 6% of Assets were for deferred taxes, which require future benefits for their realization.
- ✓ 90% of its financing corresponds to debts.
- ✓ The solvency indexes and the comparison with the sector show that the negative working capital presented by the company is indicative of the problems that the society has to meet its immediate obligations, since 2012.
- ✓ In the last year, short-term debt has grown by 20% with respect to the previous year, therefore it increases its pressure to meet them in the short term and reflects problems to obtain long-term financing
- ✓ In 2014, the company's leverage was 8.5 times its own resources.
- ✓ The profitability of its assets is maintained during the last two years, on the contrary the financial profitability presents a decrease of 4.72 percentage points with respect to the year 2011

[35] Elpais.com 12/01/2018 *"La Audiencia Nacional absuelve a la excúpula de ABG por el cobro de indemnizaciones millonarias"*

- ✓ Sales are maintained, there is no significant increase in the period analysed.
- ✓ The high financial expense of 2014 accounted for 91% of the operating result, and the profit represents 1.7% with respect to the turnover.
- ✓ The EFE analysis reflects the difficulty of generating sufficient own resources
- ✓ In the management report, the company recognizes its limited ability to meet its payments in the short term.
- ✓ Rating agencies give you a low "B" rating and negative perspective.
- ✓ The price of the shares is falling.
- ✓ Audit reports are favourable, without emphasis paragraphs
- ✓ Absolute power in the management of the company by its Executive President with the consequent opacity in the information and in the management.

That is to say, in the data that the company presented in 2014 it was already obvious that something was happening in ABG. There was enough information on the market to suspect that the company was not doing well, as shown by the news published in specialized media, the fall in share prices and the ratings, although it also seems reasonable that some shareholders trusted more on what was transmitted by the president of the company and in the report of the auditors, to make sure that the company was doing better than from the news from the specialized media.

However, when the company decides, facing the impossibility of finding sufficient financing, to declare bankruptcy, voices emerge asking why there was no warning from the directors, the company's president, supervisors, the CNMV or why the auditors issue a report which did not reflect what the true situation of the company was.

The cases of corporate fall in this period of crisis have been so dramatic and scandalous that legislators have had the obligation to apply additional controls to respond to public opinion. One of the controls is the new content of the audit report, in which not only the opinion of the auditor is issued but also exposes other circumstances that can help the reader to have a more realistic image of the company, describing in clearer language, the circumstances that affect it and avoid the excuse of the auditors in which they reject the critical analysis of the figures provided by companies considering that it does not fall within their functions.

In fact, it is difficult to believe that the company's auditors did not know that something was happening, knowing that in the financial statements of a company it seems that the only figure that is not questionable is the box, and the rest can be made up, and more on consolidated balance sheets. It is also true that the conglomerate of companies made it easy to hide the figures in the structure of the subsidiaries and made it difficult to know who was behind each liability. The type of management did not help to give more information either. It is very likely that the management had suggested to its auditors that their report would not reflect anything that could endanger the already delicate situation of the group, knowing that they were in negotiation with credit institutions and future partners.

A management that hid shareholders and the CNMV multi-million contracts that their directors had signed a few months before their departure and, although the courts understand that the unfair administration of assets of the company has not been accredited and that the compensation corresponded to them, they are facts that create a great distrust in the stakeholders and in society in general.

We have seen throughout the analysis that with the public data we could already detect the risks that ABG had, therefore if the auditor had reflected them in the 2014 report, he would have ratified what the market analysts said. This would have served to ensure that the stakeholders of the company were certain that what the market perceived was also seen by the auditors, and they were not market rumours that extend without foundation and after which there are interests in buying or selling shares.

The new report will provide users with confidence in the economic-financial information that will be audited and will reinforce the quality and independence of the audits.

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