
2014 MILESTONES

ACCIONA is weathering the regulatory impact with positive results, reducing net debt and leverage, while recovering its potential for growth.

Results for the year were positive, even though 2014 was the first full year in which we suffered a sharp decline in profitability due to the drastic reform of energy regulation in Spain. EBT, including extraordinary items, amounted to 277 million euros, and would have been 346 million euros but for the impact of the regulatory reforms introduced since the end of 2012.

The Group is growing while significantly reducing leverage, having brought net interest-bearing debt down from 6,040 million euros to 5,294 million euros.

The net financial debt/EBITDA ratio has declined, from 5.7x in 2013 to 4.9x in 2014.

In view of the global crisis and the latest regulatory changes in Spain, the Company implemented a series of measures aimed at strengthening the balance sheet and improving liquidity. This is mainly the result of the Plan of Action over the last two years, which surpassed its goals, achieving the main objectives in terms of organisational transformation, risk reduction and reinforcement of growth capacity.

ALLIANCE WITH KKR

One of the main milestones in the year was the partnership with KKR. The strategic goal of the alliance is basically to strengthen and enhance our capacity for growth in renewable energies worldwide.

KKR acquired one-third of ACCIONA Energy International (AEI), which includes ACCIONA Energy's operating renewable assets outside Spain, for 397 million euros. ACCIONA Energy retains the other two-thirds. AEI has a diversified portfolio of operational assets, with a total installed capacity of 2.2 GW in 11 countries, including the US, Mexico, Australia, Italy, Portugal and South Africa, which provide a stable cash flow of approximately 120 million euros per year. The majority of the portfolio comprises wind assets, although it also contains solar assets (solar thermal and photovoltaic).

The strategic fit between partners is based on the connection between a financial investor focused on value creation and access to competitive capital on a global scale, and a leading industrial partner with a proven track record in developing greenfield to brownfield infrastructure in the broadest sense.

This immediately expands the scope of attractive growth opportunities in renewables, in both mature and emerging markets in all technologies in which ACCIONA has a presence. This strategic alliance was created with a long-term vision, and the plan is to replicate it in the ACCIONA group's other strategic sectors.

This is the largest operation in the plan to rotate assets and bring in minority partners, the initial goal of which was to achieve a volume of between 500 million and 1 billion euros; this transaction enabled the high end of that range to be attained.

RECOVERY IN PROFITABILITY AND REORGANISATION

ACCIONA reorganised successfully in 2014, with the result that the Infrastructure division now includes the construction, engineering, water and service businesses. Changes were also made to management, and the division's strategy was completely overhauled. Combining these synergistic businesses in one large infrastructure division has reduced structural costs and optimised the overall offer.

The Energy division went to great lengths to improve profitability and efficiency, reducing capital expenditure and operating costs and completing an extensive transformation of ACCIONA Windpower, where the cost of energy per turbine declined by 28% (compared with an initial reduction target of 20% by 2014 year-end).

STRENGTHENING THE CREDIT PROFILE

ACCIONA has reoriented its business model so as to be less intensive in equity by using alternative funding sources and the capital markets.

In January, ACCIONA announced its first convertible bond issue, amounting to 342 million euros, and arranged a Euro Commercial Paper Programme, which was renewed most recently on 29 October 2014 for another 12 months and a maximum of 500 million euros. In April, it issued 63 million euros in non-convertible bearer bonds, maturing in 2024, through a private placement. It also arranged a programme to issue fixed-income securities (EMTN) capped at 1 billion euros.

The diversification of funding sources reduced the proportion of bank debt with recourse, from 77% in 2013 to just 25% in 2014. Additionally, the average term was extended, from 1.35 to 2.44 years at December 2014.

The measures in the Action Plan aimed at strengthening the group's credit profile led to a sharp reduction in group net debt (by c.750 million euros) and in the net financial debt/EBITDA ratio, from 5.7x to 4.9x.

Company management is cautiously optimistic about 2015, when it projects expansion by the two strategic divisions: Energy and Infrastructure. This optimism enabled the Board to propose resuming the dividend in 2015, to be charged to 2014 earnings.