



**Raimundo Fernández-Cuesta**  
Director of Mergers & Acquisitions

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# ACCIONA is transforming its business

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ACCIONA has been facing **major headwinds**...

- ▶ Regulatory: notable significant impact on cashflows and profits
- ▶ Operational: related to the business cycle



... but it also positioned to take advantage of significant growth **opportunities** in its core businesses



The company has no choice but to transform:

- its balance sheet – priority #1
- its growth model – priority #2











**Significant progress** has already been made and **2014 will be a crucial year** in the delivery of our plans

# ACCIONA in a nutshell

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- ➔ Listed company based in Spain – IBEX 35
- ➔ ~€3.3bn market capitalisation<sup>1</sup>; EV of ~€10bn
- ➔ A global leader in Renewable Energy, Infrastructures and Water
- ➔ Sustainable development as cornerstone of the business
- ➔ ~45% of its revenues in 2013E from international markets
- ➔ Family-owned company: ~60% Entrecanales families

## FY 2013 Results – external vs. internal factors

	(€m)	% Chg.	
Revenues	6,607	-5.8%	
EBITDA	1,228	-14.1%	
EBITDA (ex regulatory impact)	1,485	+3.8%	
Ordinary EBT	29	-88.1%	
Ordinary EBT (ex regulatory impact)	286	+16.7%	
EBT	-2,174	n.m.	
Ordinary capex	381	-55%	
NFD (vs Dec 12)	6,715	-10%	

# New framework model for Spanish renewables

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Spanish Energy business heavily impacted by Electricity Sector Reform

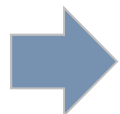
- ✓ Regulatory changes applying from 1 Jan 2013 – Impact was already known
- ✓ Draft Ministerial Order (MO) with incremental impact – Recently published



MO contains the inputs and outputs of the new regulatory framework for renewables

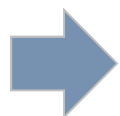


MO draft publication allows the sector to assess accurate preliminary impacts



Approval of Royal Decree enacting the new framework for renewables shortly and related MO expected by mid-to-late March

Extent of remuneration cuts worse than expected



Initial estimate: ~€2bn annually  
(higher than stated targets of €1.5bn)

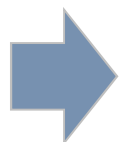
# New framework model for Spanish renewables

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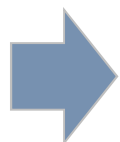
Wind power bears the brunt of the cuts



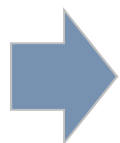
Wind power the most affected: ~65% of the cuts



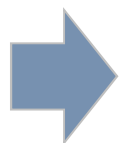
Wind the most efficient technology, contributes the most to reducing wholesale prices, creates employment, avoids fossil fuel imports and positioned Spain at the forefront of the global energy industry



The average Spanish wind asset will see a cut in the incentives received of almost 50% and a cut in total income around 25%



Assets commissioned before 2005 (~40% of the total 23GW installed in Spain) will not receive any incentive over the wholesale price  
→ Revenue cut of close to 50%



Early deployment is penalized

# New framework model for Spanish renewables

## Impact for ACCIONA

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Impact of regulatory cuts adopted in the last 18-months represents a major blow to ACCIONA's profitability and value



~40% of ACCIONA's wind assets installed pre-2005



Based on an external expert report  
→ The PF/annualized impact on 2013 equivalent to €420m at the EBITDA and PBT levels



Based on an average year of output and current wholesale prices, ACCIONA estimates an impact of ~€360m at EBITDA and PBT levels



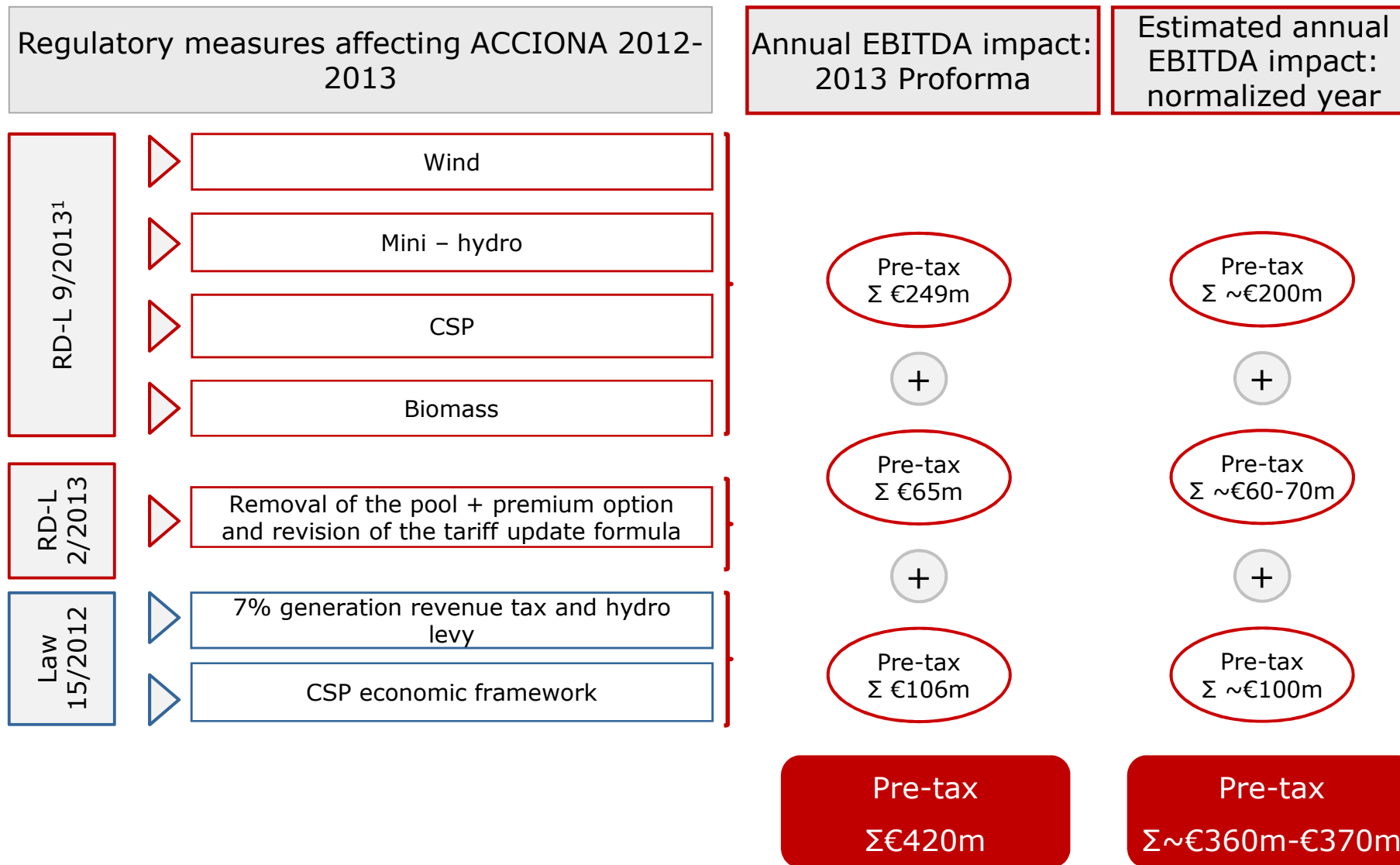
This impact is roughly equivalent to a 40% cut in EBITDA of its Spanish generation business, wiping out its profits and turning it into a loss-making activity



Impact reflected in reported EBITDA in 2013 amounts to €257m, with the new renewable framework applying from 14 July 2013

# New framework model for Spanish renewables

## Impact for ACCIONA



<sup>1</sup> Includes elimination of reactive energy incentive (RD-L 9/2013)



# Action Plan

## What we aim to achieve

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The Action Plan aims to:

- ▶ Mitigate significant impact of regulatory changes affecting the Spanish renewable energy portfolio
- ▶ Reduce financial leverage, maximise liquidity, and access a wider range of sources of capital (public and private)
- ▶ Transform our growth model:
  - Focus on ACCIONA's core competences as developer of infrastructure  
→ Increased separation of developer & operator from LT owner/financier
  - Less capital-intensive growth and less reliant on bank project finance debt
  - Access new sources of long-term capital via private partnerships / transactions

# Action Plan

## Our Route Map

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Dividends and investments are subordinated to achieving balance sheet targets

Balance Sheet

Dividends

Growth investments

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# Action Plan Status

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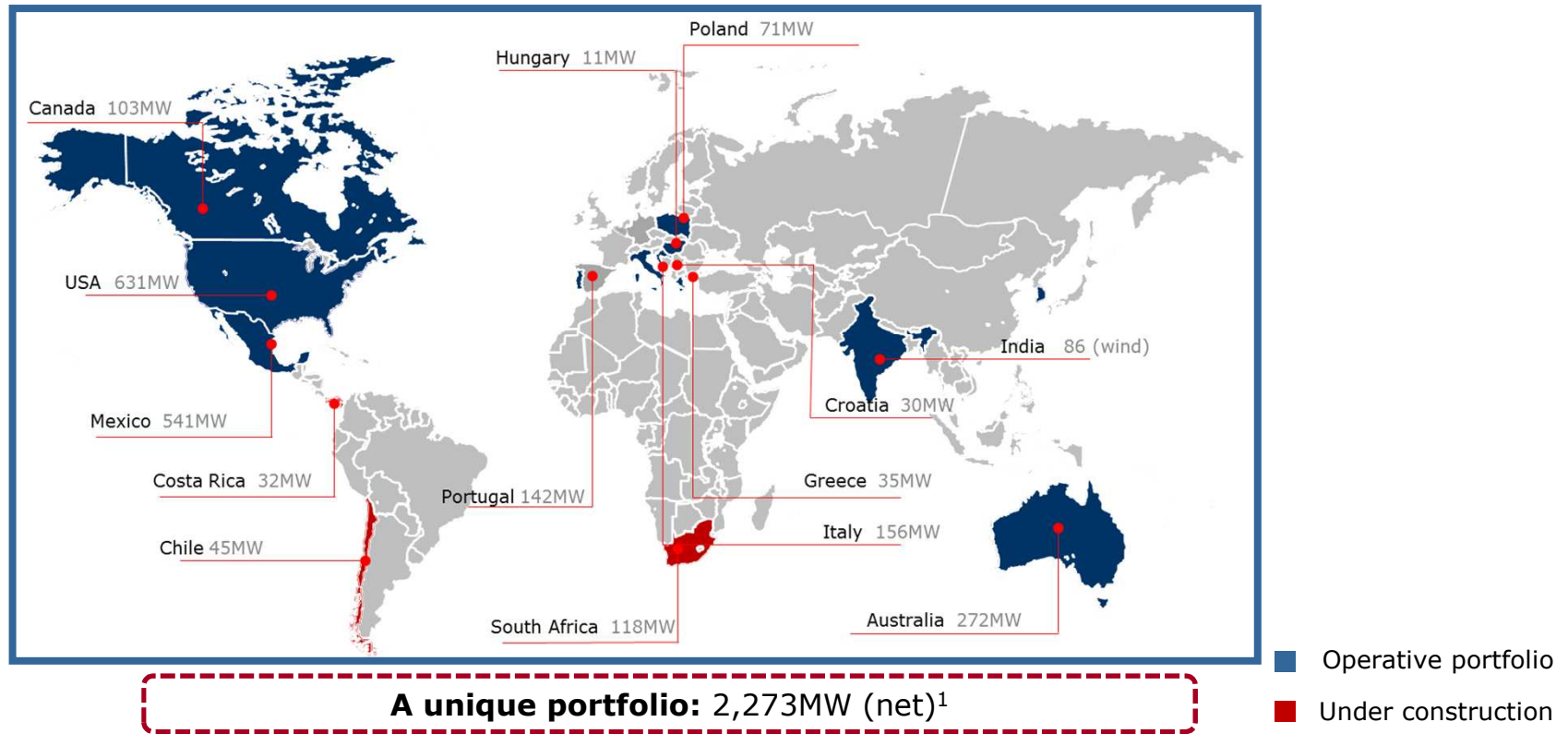
Strategic / Financial measures	Dividend	▶ <b>2013 interim dividend cancelled</b> → Unprecedented
	Capex	▶ Significant short term <b>capex reduction</b> → FY13 capex -55%
	Costs	▶ Significant <b>cost reduction</b> plan being implemented in Energy, Infrastructure & Other Activ. More initiatives under consideration
	Debt	▶ Looking for new sources of capital → Issuance of <b>€342m convertible bonds</b>
	Disposals /Partners hips	▶ Plan to dispose <b>€0.5-1.0bn</b> worth of assets in <b>2013-14</b> ▶ <b>2013</b> → Disposals worth ~ <b>€370m</b>
Reorganisation	▶ Divisional reorganisation → Infra + Water + Service ▶ Senior management changes	

# Action Plan

## Sale of minority stake in International energy portfolio

ACCIONA Energía has recently initiated the process of securing a long-term partner for its international renewable energy portfolio

- ▶ The strategic relationship to enable ACCIONA Energy to accelerate its growth
- ▶ ACCIONA Energy is seeking to sell a substantial minority stake



<sup>1</sup>Assets that have been consolidated to date under the proportional method will be accounted as associates (equity method) from 2014 onwards due to changes in accounting rules

# Action Plan

## Sale of minority stake in international energy portfolio

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Operating data	Financial data
<ul style="list-style-type: none"><li>▪ Portfolio net capacity: 2,273MW<ul style="list-style-type: none"><li>○ In operation 2,078MW</li><li>○ Under construction 195MW</li></ul></li><li>▪ 7.2TWh (net) of output</li><li>▪ Average load factor: 36%</li><li>▪ Average remaining life: +20 years</li></ul>	<ul style="list-style-type: none"><li>▪ ~€500m of revenues</li><li>▪ ~€350m of EBITDA</li><li>▪ ~€130m of cash available for dividends</li><li>▪ Consolidated debt: ~€1.4bn<ul style="list-style-type: none"><li>— All project level, 90% non-recourse</li><li>— Average cost of financing ~7.8%</li><li>— 80% is fixed rate or is hedged</li></ul></li><li>▪ 98% of dividend from PPA &amp; Reg. Hedge</li><li>▪ ~50% of revenue in US\$</li><li>▪ ~20% in €</li></ul>

# Action Plan

## Other activities

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### Bestinver

- ▶ 2013 Revenues: €113m
- ▶ 2013 EBITDA: €78m
- ▶ AUM: €8,930m

### Trasmediterránea

- ▶ 2013 Revenues: €419m
- ▶ 2013 EBITDA: €11m

### Real Estate

- ▶ 2013 Revenues: €66m
- ▶ 2013 EBITDA: €3m
- ▶ GAV 2013: €1,401m → 85% Spain, 15% International

### Canadian Concessions platform

- ▶ 3 concessions: 2 roads and 1 hospital
  - Nouvelle Autoroute A-30 → Montreal - toll road-highway between Châteauguay and Vaudreuil-Dorion (74km)
  - Chinook roads (SEST) → Calgary ring motorway (25km)
  - Fort St John → Hospital: DBFOM for a new 55-bed hospital (plus 123 nursing home patients)

# Transformation Energy

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Strategic focus on cash generation and lower capital intensive growth

**Continue to develop**, design and construct renewable assets:

- ✓ Partnerships
- ✓ EPCs

**Wind turbine manufacturing business AWP**

- ▶ Promote **EPC and other activities**, leveraging on our development, construction, O&M, capabilities for third-parties
  - No capex requirements
  - Good progress made Australia, Mexico and Chile
  - Target: 400MW/pa → 126MW under construction + 299MW awarded pending NTP in Canada, Mexico, Chile and Australia (100% for third parties)
- ▶ Growth backed by **partnerships**:
  - Launched a process to secure a minority partner for the international asset portfolio
  - Partners at project level in strategic countries

- ▶ AWP plays a key role in ACCIONA Energy fully-integrated business model
- ▶ AWP needs to be profitable on its own right
- ▶ Two-year target (end-2014): 20% COE reduction (13% achieved) → Increased to 25% by end-2014
- ▶ AWP's 3.0MW turbine is now a proven and competitive product

Unrelenting focus on cost efficiency  
Debt reduction & optimization

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# Transformation

## Reorganisation of Infra, Water & Services

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Reorganisation based on 5 drivers:

1

Maximize **specialization** creating new business lines

2

Reinforce **accountability** in each business line

3

Focus on **profitability and risk control**

4

Improve the **effectiveness** separating  
business development and delivery of contracts

5

Look for **synergies** among the businesses and increase **cost efficiencies**



# Transformation

## Reorganisation of Infra, Water & Services

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What will be the benefits from the new organization?

- ▶ Common and **integrated international structure** to support Infrastructure, Water and Service business development
- ▶ A single & more comprehensive **global offer** to clients
- ▶ Additional business opportunities from **synergies** among business units
- ▶ More **efficient international organizational structure** to support the business
- ▶ Focus on **accountability and risk control** through specialization, technical excellence and consistent execution

Revenue growth

Overhead costs efficiency

Improved margins

# Conclusions

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Energy Reform comes to an end : visibility, although at a high cost for ACCIONA

Balance sheet and liquidity: overriding priorities – 2014 a key year:

- ✓ Executing tail of committed capex programme
- ✓ Significant partnership / disposals in progress
  - ✓ Cost cutting to continue
- ✓ Dividend subordinated to balance sheet targets
- ✓ Minimise impact of Reform on project-level debt structures
- ✓ Continue work to diversify sources of financing

Action Plan for the transformation of growth model

- ✓ Integration of Infrastructure / Water / Service
  - ✓ Significant partnerships
- ✓ Preserving growth capabilities through development for third-parties

# Appendix

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# MW affected by IFRS 11

Proportionally accounted assets will from 1/01/2014 be accounted by the equity method

	Attributable MW		
	Reported 2013	Restated 2013 (*)	Dif.
<b>Wind</b>	<b>6,272</b>	<b>5,562</b>	<b>(710)</b>
<b>Wind Spain</b>	<b>4,073</b>	<b>3,465</b>	<b>(607)</b>
<b>Wind International</b>	<b>2,199</b>	<b>2,096</b>	<b>(102)</b>
Germany	150	150	--
Poland	71	71	--
USA	553	553	--
Canada	103	45	(58)
Australia	272	239	(33)
India	86	86	--
Mexico	557	557	--
South Korea	--	--	--
Italy	156	156	--
Greece	48	48	--
Hungary	11	--	(11)
Portugal	120	120	--
Croacia	30	30	--
Costa Rica	42	42	--

	Attributable MW		
	Reported 2013	Restated 2013 (*)	Dif.
<b>Hydro</b>	<b>912</b>	<b>929</b>	<b>17</b>
Special regime	231	248	17
Conventional hydro	681	681	--
<b>Solar PV</b>	<b>33</b>	<b>3</b>	<b>(30)</b>
Spain	3	3	0
Portugal	30	0	(30)
<b>Solar Thermoelectric</b>	<b>314</b>	<b>314</b>	<b>0</b>
Spain	250	250	--
USA	64	64	--
<b>Biomass Spain</b>	<b>57</b>	<b>61</b>	<b>4</b>
<b>Cogeneration Spain</b>	<b>9</b>	<b>9</b>	<b>--</b>
<b>Total Attributable MW</b>	<b>7,596</b>	<b>6,878</b>	<b>(718)</b>
<b>Spain</b>	<b>5,303</b>	<b>4,717</b>	<b>(586)</b>
<b>International</b>	<b>2,293</b>	<b>2,160</b>	<b>(132)</b>

(\*) Re-estimated 2013 figures according to new accounting ruling applicable from 1/01/2014 (IFRS 11)



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