# ACTIVITY REPORT

6 May 2015

**January-March 2015 Results**

**PROFITABLE GROWTH FIRMING UP IN LINE WITH 2015 OBJECTIVES**

**Gamesa Corporación Tecnológica[1] ended the first quarter of 2015 with sound earnings in line with guidance for the year. The period was characterised by strong sales activity, with order intake of 818 MW, 65% more than in the same first quarter of 2014. The order book amounted to 2,602 MW, 50% more than in the first quarter of 2014, accounting for 83%[2] of sales volume guidance for the year, almost 20 percentage points more than at the beginning of 2015. Revenues in the first quarter of 2015 amounted to €820 million, 43% more than in Q1 2014, and underlying EBIT totalled €66 million[3], reflecting growth of 92% y/y and an EBIT margin of 8%, i.e. two percentage points better than in Q1 2014. During the first quarter of 2015, currency fluctuations increased revenues by 14% and EBIT by 37%, both in line with the impact envisioned in 2015 guidance for the quarter. Together with consolidating profitable growth, Gamesa continues working to reinforce improvements in working capital, which has declined by 23% year-on-year, providing a working capital/revenues ratio of 13%[4], i.e. 8 percentage points lower than in the same period of 2014. Control of working capital and focused capex enabled Gamesa to maintain a sound balance sheet in a context of rising activity, ending the quarter with net interest-bearing debt of €125 million, 0.3 times group EBITDA[5]. Adwen, a joint venture with Areva to operate in the offshore segment, was launched in March. The Adwen launch and the consolidation of Gamesa's stake had a non-recurring positive impact of €29 million on EBIT and €18.5 million on net profit. Underlying net profit excluding that impact was €44 million.**

**Consolidated key figures Q1 2015**

- **Revenues:** €820 million (+43.1% y/y)
- **Underlying EBIT[3]**: €66 million (+92.2% y/y)
- **Underlying Net Income[3]:** €44 million (2.6x y/y)
- **Net financial debt (NFD):** €125 million (0.3x EBITDA[5])
- **MWe sold:** 712 MWe (+25.6% y/y)
- **Firm order intake:** 818 MW (+64.9% vs. Q1 2014)

**Gamesa Corporación Tecnológica ended Q1 2015 with revenues of €820 million, a 43% increase over Q1 2014**, **due to sharp growth in wind turbine manufacturing and sales.** Sales in the WTG division increased by 52% y/y, to €713 million, due to strong growth in activity (+25.6% y/y to 712 MWe), positive currency performance (contributing 17% to growth in revenues), and the launch of new products such as the G114-2.0 MW and taller towers. The recovery in sales in Europe and China, which began in the second half of 2014, were the main drivers of volume growth in the first quarter of 2015.

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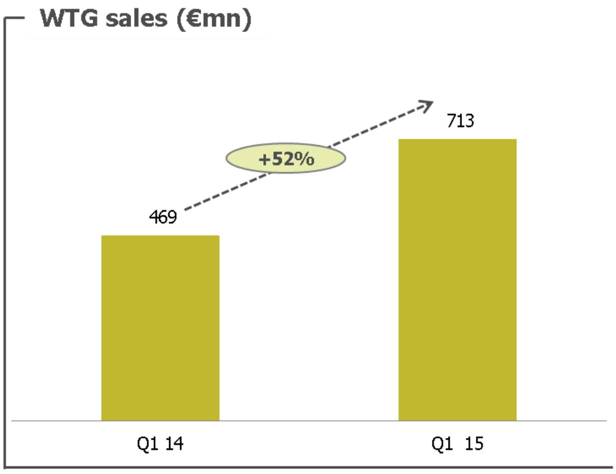
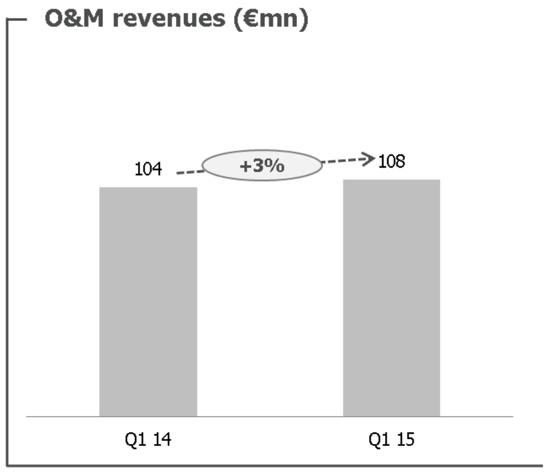
[1] Gamesa Corporación Tecnológica engages in wind turbine manufacture, which includes the development, construction and sale of wind farms, as well as operation and maintenance services.
[2] Sales coverage is calculated with respect to the mid-point of the volume guidance for the year: 2,800 MWe-3,100 MWe.
[3] EBIT and net profit are expressed net of non-recurring items amounting to €29 million and €18.5 million, respectively, in Q1 2015. Variations with respect to the 2014 numbers are calculated by excluding non-recurring items in 2015. There were no non-recurring items in Q1 2014.
[4] Ratio of working capital to LTM sales.
[5] Underlying EBITDA in the last 12 months.

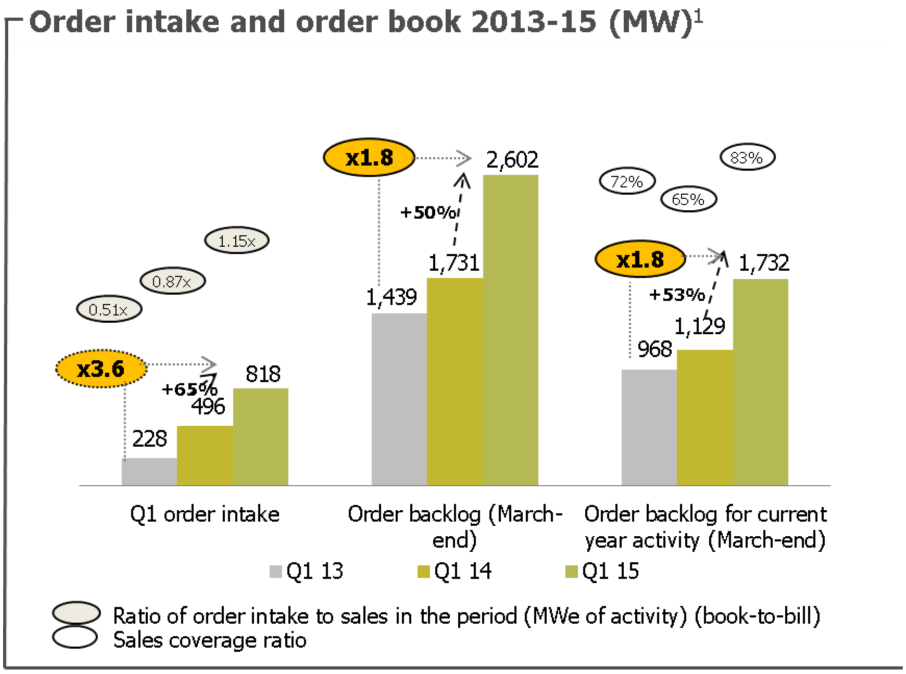
**Revenues from O&M services totalled €108 million, i.e. 3% higher** than in Q1 2014, supported by 17% y/y growth in the average post-warranty fleet under maintenance, offset by a reduction in the sale of spare parts.



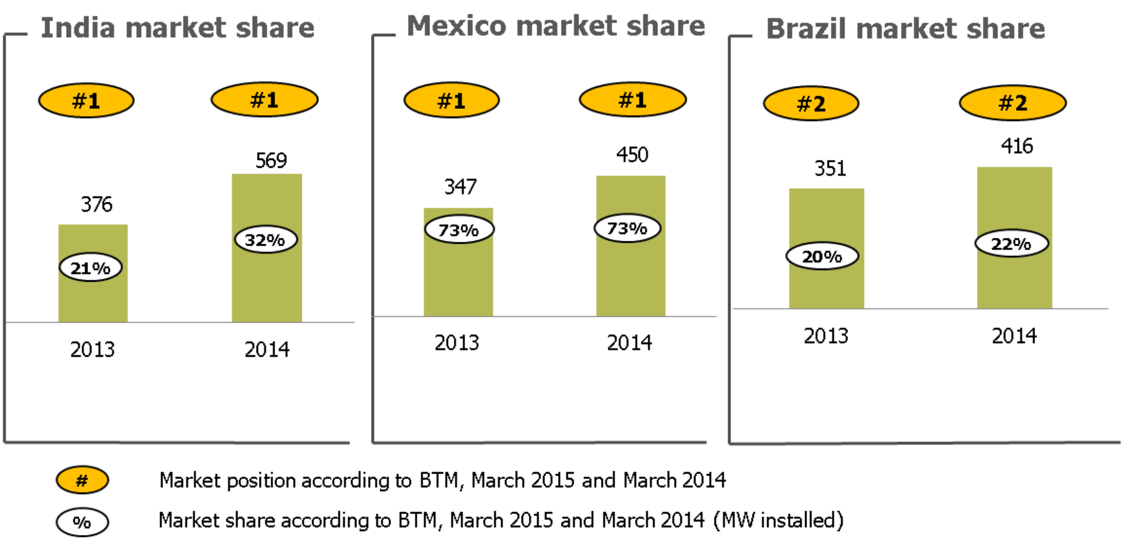

**Growth in activity and sales is supported by Gamesa's strong commercial performance and growth in global demand**, driven by the recovery in the US market that commenced in 2014 and by double-digit growth in emerging wind markets such as India, Brazil and Mexico, where Gamesa has a strong position. Gamesa's sound competitive position, supported not only by a diversified geographic footprint but also by an extensive customer base, a portfolio of products and services aimed at maximising the return on wind assets, and a presence throughout the wind value chain, enabled the company to consolidate the rising trend in order intake to sign orders for **818 MW[6] in the first quarter of 2015, 65% more than in Q1 2014 and 3.6x higher than in Q1 2013. As a result, Gamesa has doubled the book-to-bill ratio[7] in just 24 months,** to 1.15x vs. 0.51x in the first quarter of 2013 and 0.87x in the first quarter of 2014. **The order book at the end of March 2015 was 2,602 MW, i.e. 50% higher** than in March 2014 and 1.8 times the March 2013 figure**, covering 83% of projected sales for the period[8],** i.e. almost 20 percentage points higher than at the beginning of the year (64%) and 18 points higher than in Q1 2014.

[6] Firm orders and confirmation of framework agreements for delivery in the current and subsequent years. Includes firm orders signed in Q1 2015 (562 MW) that were published individually in Q2 2015.
[7] Ratio of order intake to sales in the period (MWe).
[8] Coverage based on 2015 guidance (2,800-3,100 MWe).



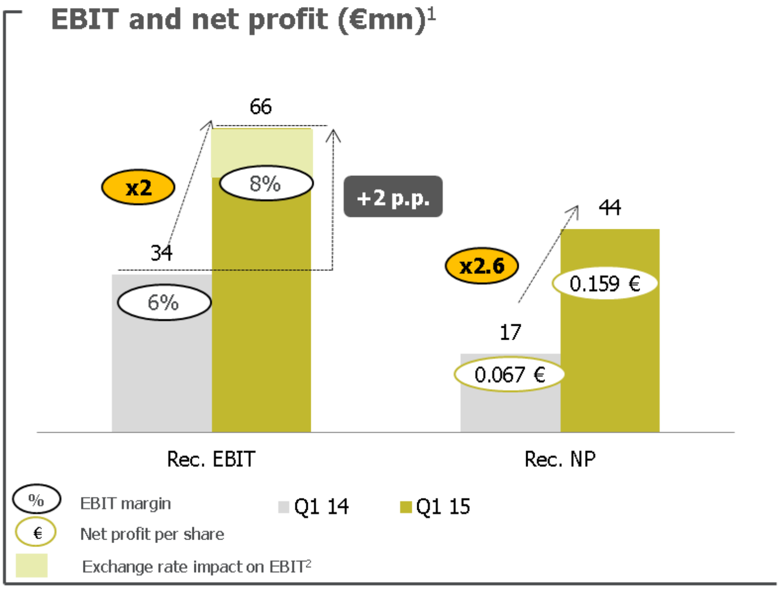

1. Firm orders and confirmation of framework agreements for delivery in the current and subsequent years. Includes deals signed through March and announced in April and May for a total of 562MW (98 MW in China, 50MW in Uruguay, 220 MW in Egypt y 194 MW in India)
2. Coverage based on total order intake through 31 March 2015 for production in 2015 with respect to mid-point of volume guidance for 2015 (2,800-3,100 MWe). Coverage in 1Q14 for sales in 2014 and in 1Q13 for sales in 2013 based on order intake/final sales (2,623 MWe in 2014 and 1,953 MWe in 2013)

The sound competitive position underpinning the company's strong sales is reflected in its positioning in the rankings published in BTM's most recent market survey, in which Gamesa remains the market leader in India and Mexico for the second consecutive year, and is ranked second in Brazil. Gamesa is also among the top five manufacturers in several European markets, including Sweden, the UK, Italy and France, and also in the US.




**In this context of growing activity, control of structure costs and of the balance sheet remains a priority**. The focus on control of fixed costs, together with the ongoing optimisation of variable costs, has enabled Gamesa to offset a lower relative contribution from O&M to group revenues as well as higher depreciation and amortisation costs, leading to rising operating profitability. The improvement in profitability was also favoured by a positive exchange rate impact, which contributed 0.8 percentage points to the improvement in operating profitability ratios in the period. **Consequently, Gamesa ended the first quarter of 2015 with an underlying EBIT margin of 8%[9],** i.e. 2 percentage points higher than in the same period of 2014 and in line with guidance for the year (≥8%). **Underlying EBIT in the quarter totalled €66 million[9], 92% higher than in the same period of 2014.**

Solid growth in volume and revenues, combined with better business profitability and the decline in exchange losses, partially offset by the increase in the tax burden, resulted in **Gamesa increasing net profit 2.6-fold in the period to €44 million[9] in Q1 2015.**

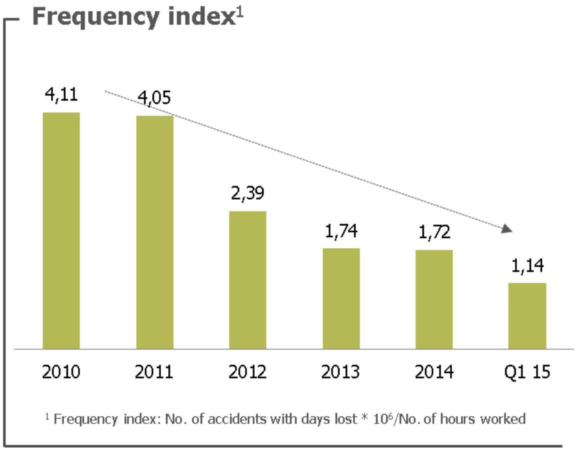


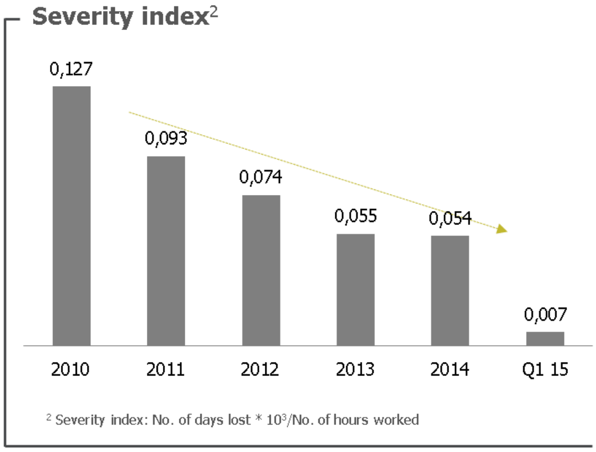

1. EBIT and net profit excluding impact of creating and consolidating Adwen: €29 million in EBIT and €18.5mn in net profit
2. Management calculation of currency effect (1Q14 average exchange rate) on EBIT is €12,5mn

Adwen, the joint venture with Areva to operate in the offshore segment, became operational in the quarter and had a positive non-recurring impact on Gamesa's EBIT and net profit. The impact on EBIT amounted to €29 million, increasing the reported EBIT to €95 million, and the impact on net profit amounted to €18.5 million, increasing the reported net income to €62 million.

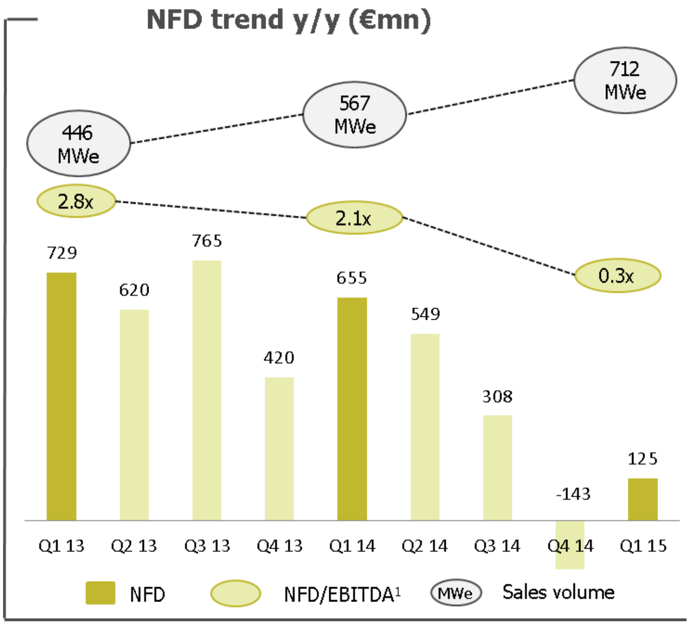
Together with strict control of group structure and a sound balance sheet, health and safety is another priority for the company and one of the areas in which Gamesa is positioned among industry leaders, as visible in the downward trend in frequency and severity indices.

[9] EBIT and net profit are expressed net of non-recurring items amounting to €29 million and €18.5 million, respectively, in Q1 2015.




**Gamesa remained focused on maintaining a sound financial position in a context of rising activity**, by controlling working capital, investment in tangible assets and R&D spending. The company ended the first quarter with a working capital/revenues ratio of 13%, i.e. 8 percentage points lower than in Q1 2014, and with capex of €24 million which, together with increasing capability to generate operating cash flow, enabled the company to end the quarter with net interest-bearing debt of €125 million, equivalent to 0.3 times EBITDA[5].




1. EBITDA LTM

## Main factors

### Activity

**Gamesa sold 712 MW in the first quarter of 2015, i.e. 26% more than in Q1 2014.** This growth is attributable to expansion in China and Europe. It is worth highlighting that each geography's contribution to sales in a single quarter does not reflect necessarily the expected contribution to full year sales as it is impacted by the delivery times of each project.

| | Q1 2014 | Q1 2015 | Chg. |
|---|---|---|---|
| **WTG sold (MWe)** | 567 | 712 | 25.6% |

| Geographical breakdown of wind turbine sales (MWe) (%) | Q1 2014 | Q1 2015 |
|---|---|---|
| **USA** | 21% | 14% |
| **China** | 2% | 24% |
| **India** | 33% | 27% |
| **Latin America** | 37% | 18% |
| **Europe and RoW** | 7% | 17% |
| **TOTAL** | **100%** | **100%** |

**Sales in the first quarter of 2015 were concentrated in the Gamesa 2.0 MW segment,** which represented 99% of total MW sold, vs. 95% in the same period last year. The Gamesa G114 2.0 MW platform accounted for 17% of activity in the quarter, evidencing the incipient importance of new platforms.

| | Q1 2014 | Q1 2015 | Chg. |
|---|---|---|---|
| **MW under operation and maintenance at end of period** | 19,277 | 21,178 | 9.9% |

**In the services division, Gamesa had 21,178 MW** under operation and maintenance, 9.9% more than in Q1 2014. Growth is mainly attributable to the increase in MW under operation and maintenance in India and Brazil.

## Profitability

**Revenues amounted to €820 million in Q1 2015, 43% more than in Q1 2014.** This increase is attributable to sales by the WTG division.

**The main drivers of growth in WTG revenues, 52% higher than revenues in the first quarter of 2014, are:**

- +26% increase in volume
- Currency appreciation compared with average rates in Q1 2014, with a contribution of 17%
- Increase in the average price of WTGs due to larger rotors and higher towers, partially offset by China's greater contribution to total revenues

**Services revenues increased by 3% with respect to the same quarter of 2014.** Post-warranty revenues performed in line with growth in the post-warranty fleet (+18% vs. Q1 2014), partially compensated by lower spare parts sales in the quarter.

**Gamesa obtained €66 million in underlying consolidated EBIT and an EBIT margin of 8% in Q1 2015 (vs. 6% in Q1 2014).** EBIT performance is attributable to:

- higher sales volumes (+2.2 percentage points)
- fixed cost performance, mainly the increase in D&A (-0.3 p.p.)
- contribution margin performance (-0.7 p.p.)
- currency performance (+0.8 p.p.)

**The lower contribution margin in the quarter is due to the lower contribution by O&M to total revenues** (13% vs. 18% in Q1 2014). Lower sales of spares in the O&M division also led to a one-off decline in the margin in the quarter. As a result, the EBIT margin in O&M was 12.5% vs. 12.8% in Q1 2014.

Financial expenses in the quarter totalled -€9.1 million and exchange gains amounted to €5 million. As a result, **underlying consolidated net profit totalled €44 million (€17 million in Q1 2014).**

**Gamesa reported the creation of Adwen in its consolidated results** under "non-recurring income" (for management purposes). The following impacts are described below:

- Capital gains: €29.2 million
- Consolidating of 50% of Adwen income since launch: -€2.5 million
- Tax expense estimate: -€8.2 million
- Total impact on net income: €18.5 million

**As a result, including non-recurring items, reported EBIT amounted to €95 million, while reported net profit totalled €62 million.**

## Balance sheet

As reflected by the main balance sheet indicators**, Gamesa maintained a sound financial position in a context of rising activity.**

| | Q1 2014 | Q1 2015 |
|---|---|---|
| **Working Capital/Revenues** | 21.1% | 12.8% |
| **NFD/EBITDA** | 2.1x | 0.3x |
| **ROCE** | 7.6% | 11.1% |

**The impact of integrating Gamesa's participation in Adwen (50%) can be summarised as follows:**

- **Net assets contributed to Adwen and retired from Gamesa's balance sheet: €165.8 million** (mainly intangibles and property, plant and equipment)
- **Value assigned to the contribution registered on Gamesa's balance sheet: €195 million** (€100 million for the equity-accounted stake, 50% of the Adwen joint venture, and €95 million in non-current financial assets, the shareholder loan).

## Consolidated Income Statement and Balance Sheet, Key Figures

| *(€ million)* | Q1 2014 | Q1 2015 | *% Chg.* |
|---|---|---|---|
| **Revenues** | 573 | 820 | *+43.1%* |
| **Underlying EBITDA** | 72 | 116 | *+60.4%* |
| Underlying EBITDA/Revenues (%) | 12.6% | 14.1% | *+1.5pp* |
| **Underlying EBIT** | 34 | 66 | *92.2%* |
| Underlying EBIT/Revenues (%) | 6.0% | 8.0% | *+2.0pp* |
| **EBIT** | 34 | 95 | *2.8x* |
| EBIT/Revenues (%) | 6.0% | 11.5% | *+5.6pp* |
| **Underlying profit (loss)** | 17 | 44 | *2.6x* |
| **Profit (Loss)** | 17 | 62 | *3.7x* |
| **NFD** | 655 | 125 | *-530* |
| **Working Capital** | 510 | 395 | *-115* |
| **Capex** | 28 | 24 | *-4* |

## Outlook

### Value creation prospects in 2015 remain intact

Although a single quarter is not representative of performance over a full year, Gamesa's quarterly performance since the launch of the BP 13-15 in October 2012 reflects the consolidation of several trends:

1. strong sales activity, the result of the company's competitive positioning,
2. profitable growth and
3. a sound balance sheet.

These trends, which continued in Q1 2015, allow the company to maintain the 2015 outlook unchanged.

Growth in the first quarter (26% in volume and 43% in revenues), together with 83% coverage of sales projections for the year at the end of March and a positive exchange rate impact of 14% in the first quarter, support sales and activity guidance for the year. Likewise, underlying operating profitability of 8% in the first quarter, including a currency effect of 0.8 percentage points, is fully aligned with 2015 expectations. The sequential increase in working capital in the first quarter is attributable to normal seasonality, while the working capital/revenue ratio declined by 8 percentage points with respect to the same period last year, supporting the guidance (≤5%) for the full year. **Consequently, the better prospects for value creation to boost ROCE to exceed WACC by four percentage points are maintained**.

| | 2015 Guidance | |
|---|---|---|
| Volume (MWe) | 2,800-3,100 | Profitable growth |
| Revenues (€mn) | 3,150-3,400 | |
| EBIT margin | ≥8% | |
| WC/sales | <5% | Control of capital consumption and investment |
| Capex/revenues | ≤4% | |
| **ROCE** | **≥WACC+4%** | Enhancing value creation |
| Dividend proposal: pay-out ratio | 25% | Resuming dividends |

## Conclusions

In a context of recovering global demand and with an improved competitive position, **the company ended Q1 2015 with sound results, in line with objectives for 2015**, consolidating the strong profitable growth and sound balance sheet achieved in 2014.

**Revenues amounted to €820 million, i.e. 43% higher than in 2014, with an underlying EBIT margin of 8%[10], i.e. 2 percentage points higher than in 2014.** Positive currency performance accounted for 14% growth in revenues and a 0.8-point increase in the margin. **Underlying net profit increased by 2.6x in the period, to €44 million[10].**

The company's sound competitive position was reaffirmed, as it maintained its leading position in key countries such as India, Mexico and Brazil for the second consecutive year, while ongoing strong sales activity resulted in **sharp growth in order intake, to 818 MW**, i.e. 65% higher than in 2014. This enabled **Gamesa to increase revenue visibility for this year and 2016 since it ended Q1 2015 with an order book of 2,602 MW, 50% more than at the end of March 2014 and covering 83% of the guidance for 2015**[11], i.e. almost 20 percentage points more than coverage at the beginning of the year (64%).

**Growth in revenues and profitability aside, Gamesa continues to prioritise a sound balance sheet, controlling both working capital and capex.** In a context of increasing activity, Gamesa reduced working capital by 23% with respect to Q1 2014 and improved the working capital/revenues ratio by 8 percentage points, to 13%.This reduction in working capital, together with greater capability to generate operating cash flow and capex control**, enabled Gamesa to end Q1 2015 with net interest-bearing debt of €125 million, equivalent to 0.3 times EBITDA.**

**As a result, Gamesa ended the first quarter of 2015 in line with guidance for the year and in a position to accelerate value creation for shareholders.**

[10] EBIT and net profit are expressed net of non-recurring items amounting to €29 million and €18.5 million, respectively, in Q1 2015.
[11] Coverage calculated as orders for activity in 2015 with respect to the mid-point of volume guidance for 2015 (2,800-3,100 MWe).

## Annex

### Financial Statements January-March 2015[12]

### Gamesa Corporación Tecnológica - Consolidated

| Profit and Loss Account - € million | Q1 2014 | Q1 2015 |
|---|---|---|
| **Turnover** | 573 | 820 |
| +/- Variation in inventories of finished products and WIP | 0 | 54 |
| Consumption | (391) | (606) |
| Other operating revenues | 1 | (2) |
| Work performed on own assets | 15 | 11 |
| Personnel expenses | (71) | (82) |
| Other operating expenses | (55) | (79) |
| **EBITDA** | **72** | **116** |
| Depreciation and amortisation | (22) | (24) |
| Provisions | (16) | (26) |
| Profit/Loss from assets disposals | 0 | 29 |
| **EBIT** | **34** | **95** |
| Financial revenues | 1 | 3 |
| Financial expenses | (12) | (12) |
| Exchange differences (profit/loss) | 0 | 5 |
| Equity-accounted affiliates | 1 | (3) |
| **EBT** | **24** | **88** |
| Taxes | (5) | (25) |
| **Income after taxes** (continuing operations) | **19** | **63** |
| Income for the year from discontinued operations | (2) | (1) |
| Outside shareholders | 0 | 0 |
| **Income attributable to the controlling company** | **17** | **62** |

[12] Unaudited figures

| Balance Sheet - € Million | Q1 2014 | Q1 2015 |
|---|---|---|
| Goodwill | 387 | 387 |
| Operational fixed assets, net | 594 | 444 |
| Non-current financial assets, net | 102 | 303 |
| Deferred taxes | 372 | 415 |
| Inventories | 559 | 712 |
| Customer receivables and other receivables | 1,584 | 1,474 |
| Receivable from public authorities | 402 | 178 |
| Current financial assets | 26 | 25 |
| Cash and cash equivalents | 437 | 479 |
| Assets held for sale and discontinued operations | 29 | 36 |
| **Total assets** | **4,491** | **4,453** |
| | | |
| Capital and reserves | 1,031 | 1,503 |
| Non-current provisions and deferred revenues | 241 | 260 |
| Non-current financial debt | 492 | 518 |
| Other non-current financial liabilities | 53 | 48 |
| Deferred tax liabilities | 70 | 85 |
| Current bank loans | 545 | 62 |
| Trade and other accounts payable | 1,705 | 1,799 |
| Payable to public authorities | 251 | 89 |
| Other current liabilities | 104 | 87 |
| Liabilities associated with assets held for sale | (1) | 2 |
| **Total liabilities** | **4,491** | **4,453** |

| Cash Flow – € Million | Q1 2015 |
|---|---|
| Profit (including discontinued activities) | 62 |
| + Depreciation and amortisation | 24 |
| + Provisions | 26 |
| +Impairment | |
| - Operating provisions paid | (16) |
| - Non-recurring results | (18) |
| **Gross operating cash flow** | **78** |
| -Non-recurrent provisions paid | (9) |
| - Variation in working capital | (324) |
| - Others | 12 |
| **Operating cash flow** | **(243)** |
| - Investments | (24) |
| **Cash flow for the period** | **(267)** |
| - Variation in treasury stock | |
| - Others | |
| **Cash flow** | **(267)** |
| Initial net interest-bearing debt | (143) |
| End net interest-bearing debt | 125 |

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