ACTIVITY REPORT

Madrid, 8 May 2014

January-March 2014 Results

RETURN TO GROWTH AND ONGOING IMPROVEMENT IN PROFITABILITY

After notably improving profitability in 2013, Gamesa Corporación Tecnológica[1] has commenced 2014 with earnings in line with the BP 2013-2015 objectives, rising profitability and a return to growth. Sales amounted to €573 million in the first quarter of 2014, 17% higher than in the same period last year, and EBIT totalled €34 million, a year-on-year improvement of 58%. The EBIT margin was 6.0%, an improvement of 1.5 percentage points with respect to the first quarter of 2013, attributable to optimisation of variable costs and the increase in volume, whose effect was partially offset by the change in project mix and depreciation of emerging market currencies (those factors had already been anticipated at the beginning of the year). At constant exchange rates, Q1 2014 sales expanded by 25%[2] y/y and the EBIT margin was 6.7%[2], i.e. 2.3 percentage points higher than in Q1 2013. Together with the steady improvement in profitability and growth in sales, Gamesa was able to reduce debt and non-recourse discounting by €114 million[3] y/y, meeting the business plan's goal of achieving a sound balance sheet.

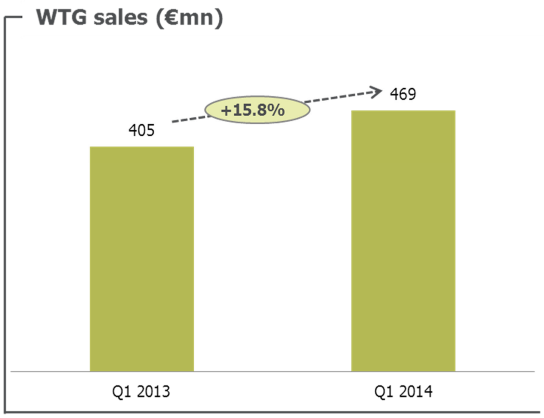
Consolidated key figures Q1 2014

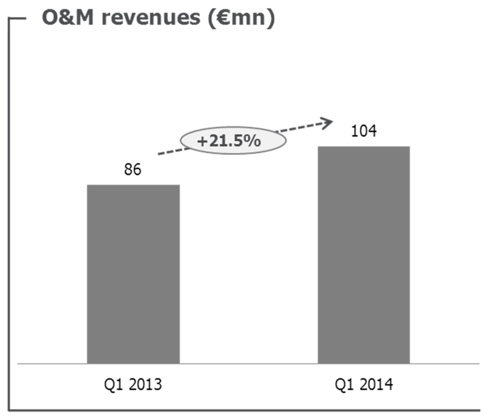
- **Revenues:** €573 million (+16.8% y/y)
- **EBIT**: €34 million (+57.7% y/y)
- **Net profit:** €17 million (2.4x)
- **Net interest-bearing debt:** €655 million (2.1x EBITDA[4])
- **MWe sold:** 567 (+27.1% y/y)
- **Firm order intake:** 496 MW (2.2x vs. Q1 2013)

Gamesa Corporación Tecnológica obtained €573 million in sales in the first quarter of 2014, i.e. 17% more than in the same period last year, **due to growth in the company's two areas of activity: Wind turbine manufacturing and O&M services**. The Wind turbine division ended the quarter with sales of €469 million, 16% higher in year-on-year terms, supported by growth in business volume, which was partially offset by depreciation of the Indian rupee and the Brazilian real. **Business volume amounted to 567 MWe, 27% higher than in the first quarter of 2013 (446 MWe)**, due to the strong contribution by the Indian and Brazilian markets to group sales, the recovery in the US, the contribution from emerging markets such as the Philippines, Turkey, and Sri Lanka, and sales of the multi-MW platform in Finland. There was a temporary decline in sales in Europe, which offset growth in the aforementioned markets but which is expected to gradually recover in the coming quarters in line with orders signed by March 2014.

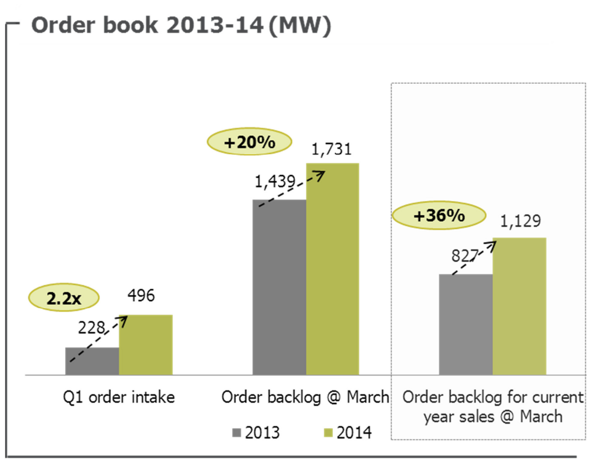
O&M Services revenues totalled €104 million, 21% higher than in the first quarter of 2013, supported by growth in the post-warranty fleet under maintenance (+11% y/y), the sale of spares, and greater wind productivity in the period.

[1] Gamesa Corporación Tecnológica includes wind turbine manufacturing and O&M services. The wind farm development, construction and sale business, which was part of the Wind Farms division (Gamesa Energía) prior to 2013, is now classified as part of the wind turbine generator manufacturing business.
[2] At the weighted average exchange rate for Q1 2013
[3] €655 million of net interest-bearing debt and €159 million of non-recourse factoring in Q1 2014, vs. €729 million and €200 million, respectively, at the end of March 2013.
[4] Last 12 months.





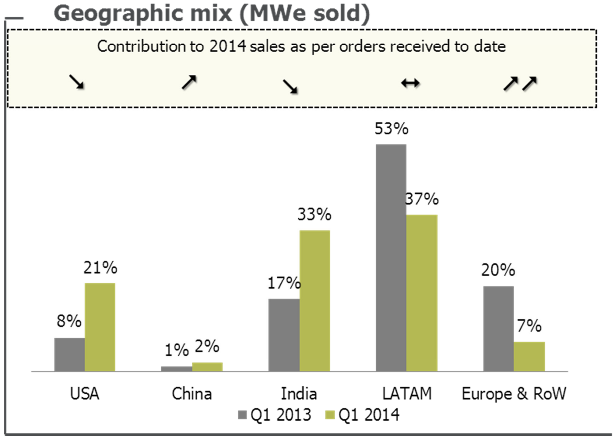
This growth in business volume and sales is in line with growth in global demand, following the decline during 2013. The recovery in demand, driven largely by the American market, is also supported by double-digit growth in emerging wind markets such as India, Brazil and Mexico, where Gamesa is firmly positioned. Strong commercial positioning, supported not only by a diversified geographic presence but also by an extensive customer base and a product and service portfolio focused on maximising wind asset profitability, enabled the company to **double order intake in the first quarter of 2014, to 496 MW[5].** As a result, Gamesa had an order book of 1,731 MW at the end of March 2014, 20% higher than at 31 March 2013, of which 1,129 MW are for delivery this year, i.e. 36% more than one year ago. As a result, the group's **coverage of average sales guidance for 2014 is 74%[6],** 7 percentage points higher than a year ago.



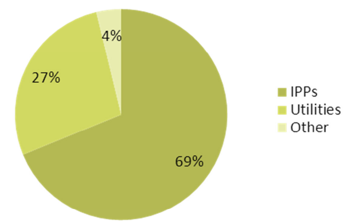
[5] Firm orders and confirmation of framework agreements for delivery in the current and subsequent years. Includes orders signed in Q 1(244 MW from Greenko and Eletrosul) announced in April.
[6] Coverage based on total orders received through 31 March 2014 for production in 2014 with respect to mid-point of volume guidance for 2014 (2,200-2,400 MWe).

Diversification in terms of both geographies and customers and a solid position in growth markets key elements in the backlog improvement

Geographic mix (MWe sold)

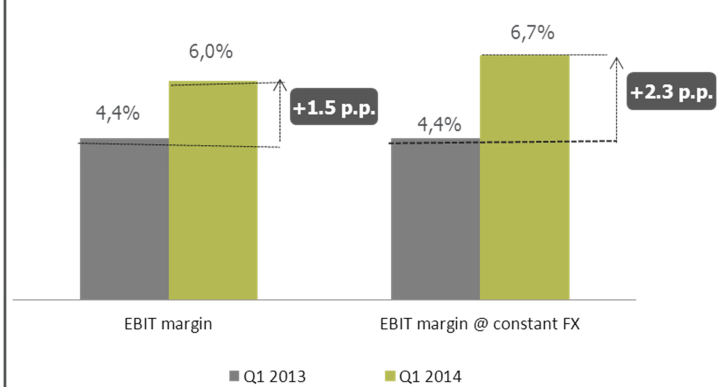


Breakdown of MWe sold, by customer group



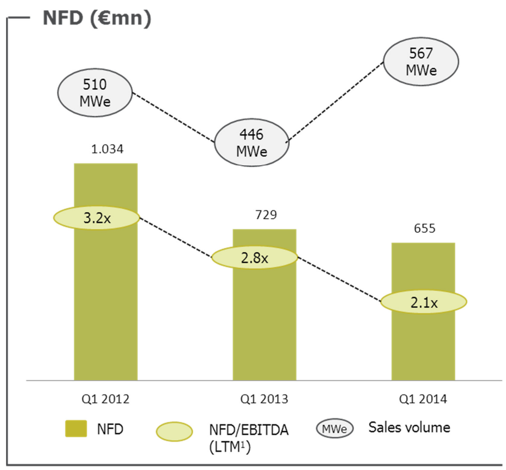
In this context of growing demand, Gamesa's greater business volume, leveraged upon a leaner fixed cost structure than when the BP 2013-2015 commenced, drove a notable increase in profitability in Q1 2014. Additionally, the impact of growing volume together with variable cost optimisation, which is still under way, allowed the company to completely offset the decline in the margin due to changes in the project mix. **As a result, and at constant exchange rates, Gamesa obtained an EBIT margin in the first quarter of 2014 of 6.7%[7], 2.3 percentage points higher than in Q1 2013 (4.4%)**. The impact of depreciation by the Indian rupee and the Brazilian real, which was already expected at the beginning of the year, further reduced operating profitability, leading to EBIT of €34 million in Q1 2014 and an EBIT margin of 6.0%, 1.5 percentage points higehr than in Q1 2013.

EBIT margin evolution (%)



[7] At the weighted average exchange rate for Q1 2013

Gamesa reduced net interest-bearing debt plus non-recourse factoring by €114 million in Q1 2014 compared with Q1 2013, resulting in a **net debt position of €655 million, i.e. 10% lower than at the end of March 2013**. This reduction in debt was achieved in a context of business growth, with the corresponding increase in working capital, helped by balancing actions set out in the business plan: alignment of manufacturing with deliveries and collection, the new wind farm development model, and focused capex plus divestment of non-core assets.



¹ LTM: Last 12 months

Main factors

Consolidated results – Q1 2014

Earnings for Q1 2014 are in line with the guidance for the year:

- **Activity**: 567 MWe sold, in line with the target of 2,200-2,400 MW
- **Results**: consolidated EBIT margin of 6.0%, in line with the target of > 6%
- **Sound balance sheet**: a net interest-bearing debt/EBITDA[8] ratio of 2.1x for the consolidated group, above the guidance of < 1.5x due to the seasonal nature of the business

(€ million)	**Q1 2013**	**Q1 2014**	*% Chg.*
Revenues	491	573	*+17%*
EBITDA	49	72	+47%
EBITDA/Sales (%)	10.0%	12.6%	+2.6p.p.
EBIT	22	34	+58%
EBIT/Revenues (%)	4.4%	6.0%	+1.5p.p.
Profit (Loss)	7	17	+2.4x
Net interest-bearing debt	729	655	-73

Unaudited figures

Sales

During the first quarter of 2014, Gamesa sold 567 MW, 27% more than in Q1 2013. This growth was driven mainly by the US (117 MW, i.e. triple its Q1 2013 contribution) and India (189 MW, double the Q1 2013 figure). As a result, activity in Q1 is in line with the guidance for the year (2,200-2,400 MW).

The Wind Turbine Division's activity during Q1 2014 can be broken down as follows:

[8] Last 12 months EBITDA

(MW)	Q1 2013	Q1 2014	% chg.	Status
MW delivered to customers	**292**	**412**	+41%	Handover of ownership to customer, in wind farm, or factory; Invoiced.
+ Variation in MWe available Ex Works	**-99**	**176**	NA	Variation in stock of WTG available for delivery to customer; Invoiced Ex Works.
+ Variation in MWe Work in Progress	**252**	**-21**	NA	Variation in the stock of WTG not available for delivery to customer; Not invoiced.
MWe sold	**446**	**567**	+27%	

Although quarterly sales are not necessarily representative of trend in the full year, in which we expect a recovery in the contribution from Europe and Rest of World with respect to Q1 2014 levels, MWe sold in Q1 was concentrated in:

- **Latin America+Southern Cone, which is still the largest single contributor to sales (37%)**
- **India, which accounted for 33% of total sales in Q1**, i.e. 15 percentage points more than in Q1 2013.
- **The US, which greatly increased its contribution with respect to last year, from 8% in Q1 2013 to 21% in Q1 2014**

Geographical breakdown of wind turbine sales (MWe) (%)	Q1 2013	Q1 2014
USA	8%	21%
China	1%	2%
India	17%	33%
Latin America+Southern Cone	53%	37%
Europe and RoW	20%	7%
TOTAL	**100%**	**100%**

Additionally, **the Gamesa 2.0 MW segment accounted for 95% of MWe sold in Q1**, while the 5.0 MW platform accounted for 4%. It's also worth highlighting that the G114-2.0 MW platform started to contribute to activity in 2014.

Profitability

Revenues amounted to €573 million in the period, 17% higher than in Q1 2013 (€491 million).

- Revenues in the services business rose by 21% to €104 million.
- Excluding services, revenues expanded by 16% vs. Q1 2013, i.e. less than the increase in MWe (+27%) due to the decline in average revenue per MWe, which was negatively impacted by currency fluctuations.

Gamesa ended the first quarter with €34 million in consolidated EBIT, and an EBIT margin of 6.0%, contrasting with €22 million and a margin of 4.4% in the same period of 2013.

The change in EBIT in Q1 2014 compared with 2013 is attributable to:

- greater sales volume (+2.3 p.p.)
- optimisation of variable expenses (+2.0 p.p.)
- the project mix (-2.4 p.p.)
- improved fixed costs due to rightsizing under the Business Plan 2013-2015 (+0.3 p.p.),
- currency depreciation (-0.7 p.p.)

The O&M division had an EBIT margin of 12.8%, i.e. higher than in Q1 2013 (12.1%) as a result of action plans under way to increase revenues and profitability faster than MW under maintenance.

Recurring net income in Q1 2014 (€17 million) was impacted by €11 million in net financial expenses and a €1.9 million charge from discontinued activities.

Balance sheet

Gamesa ended the first quarter of 2014 with €510 million in working capital, i.e. 21% of revenues[9]. This decline with respect to Q1 2013 (-€149 million) despite greater activity in the period and an increase with respect to 2013 year-end (+€317 million) was due to normal seasonal fluctuations.

Moreover**,** Gamesa continued to focus on strict control of capital expenditure, ensuring the return on investment and a sound balance sheet. As a result, **capex amounted to €28 million.** Capital expenditure in 2014 focused on:

- R&D for new products and platforms (G114-2.0 MW, Gamesa 5.0 MW platform)
- adaptation of production capacity to the G114-2.0 MW and the 5.0 MW platform

Gamesa ended the year with €655 million in net interest-bearing debt, i.e. less than in Q1 2013 (€729 million). Net interest-bearing debt plus non-recourse factoring was reduced to €814 million in Q1 2014, from €929 million in Q12013.

[9] Last 12 month sales.

Outlook

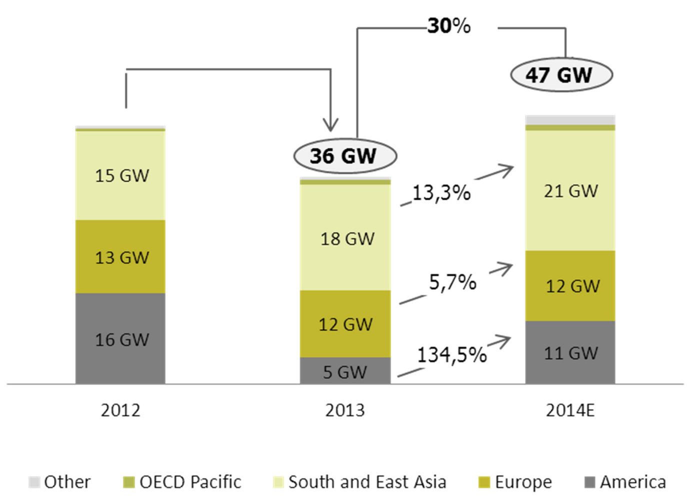
Global demand trends and Gamesa's commercial positioning

A strong recovery in demand is expected in 2014, **following the decline in the pace of installations in 2013**. **The total number of installations projected in 2014** by external consultants, **ranges between 47 GW[10] and 48 GW[11], equivalent to an annual growth rate of close to 30% with respect to 2013.**

The US market, which is primarily responsible for the decline in 2013 due to the delay in extending aid for renewable energies[12], will be the main driver of growth in 2014 as the pace of installations is expected to increase 6-fold, to c. 6,300 MW[13], from 1,084 MW in 2013.

The recovery in demand will also be driven by double-digit growth in Latin America and Southeast Asia and a relative improvement in Europe (which will also return to positive growth following the contraction in 2013).

Demand growth in the short term supported by the recovery in the US



Source: BTM March 2014

The pace of growth will ease as from 2014, with 48 GW[14] of installations expected in 2015, equivalent to annual growth of 3%, to reach 55 GW[15] in 2018 (2013-2018E CAGR of 9%[16]).

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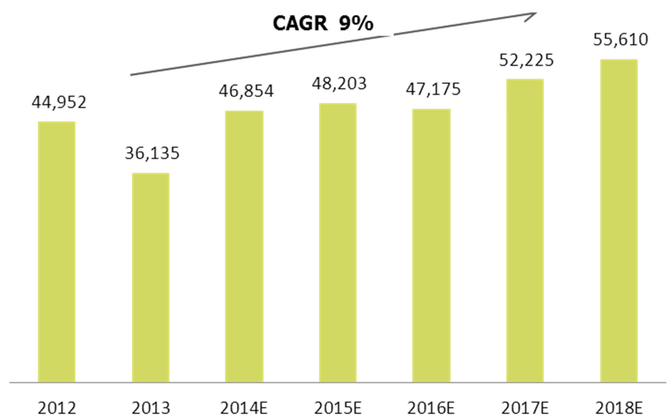
[10] BTM "World Market Update 2013" March 2014
[11] MAKE " Q1 /2014 –Global Wind Power Market Outlook Update"
[12] PTC = Production Tax Credit, and ITC = Investment tax credit; December 2012
[13] BTM "World Market Update 2013" March 2014
[14] BTM "World Market Update 2013" March 2014
[15] BTM "World Market Update 2013" March 2014
[16] BTM "World Market Update 2013" March 2014

Growth in demand in the short, medium and long term (MW installations)



Source: BTM March 2014

These global growth projections hinge upon the demand performance in the medium and long term. The US market continues to experience sharp volatility, with a very high probability of a decline in the pace of installations (by 50%) as from 2015 if subsidies for renewable production/investment are not extended again. Growth in Europe, by a compound annual rate of 8%[17] between 2014 and 2018, is concentrated in the offshore segment, while the onshore segment is expected to expand by 3%[18]. **Meanwhile, the emerging markets -Africa, parts of Latin America, Asia excluding China- will continue to grow faster than the global average over the next five years.**

Demand in emerging countries also has greater visibility since it is supported by growth in energy demand resulting from economic and population growth. In many cases, wind energy is highly competitive compared with traditional fuels and the countries urgently need to diversify their production mix**. According to the International Energy Agency's latest report, the centre of gravity of global energy demand is shifting decisively towards emerging economies, which will account for 90% of total growth in demand up to 2035.**

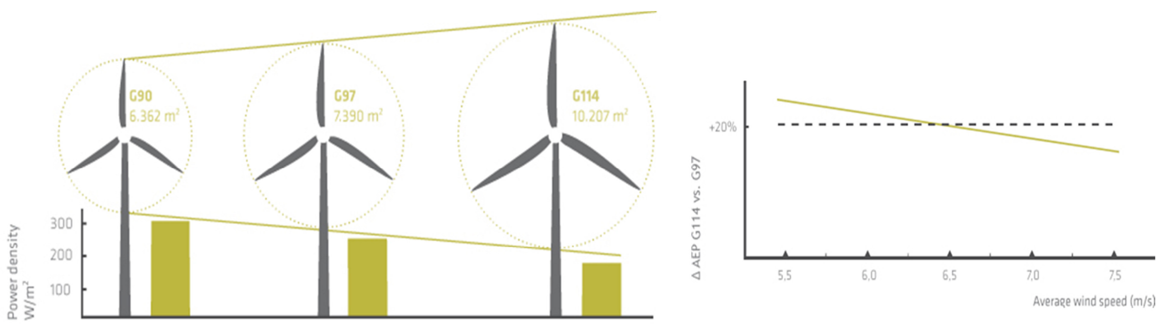
Gamesa has a leading position in those countries, which will support the company's growth. This leading position is the result of investing in local teams, acquiring extensive knowledge about the market and customer needs, and developing products adapted to each market, and achieving competitive local content through internal production or the development of a local supply chain. These drivers have enabled Gamesa to rank[19] first in India, outstripping the leading domestic manufacturer, and in Mexico, and second in Brazil.

[17] BTM "World Market Update 2013" March 2014
[18] BTM "World Market Update 2013" March 2014
[19] Source: BTM March 2014

Product portfolio adapted to mature and emerging markets

It is also worth noting that Gamesa's product portfolio adapts not only to the requirements of new emerging markets, but also to the needs of mature markets, where the 2.0 MW-2.5 MW and 4.5 MW-5.0 MW platforms offer a competitive cost of energy.

The 2.0 MW-2.5 MW platform has an installed fleet of 16 GW with average availability of over 98%. The latest turbine under this platform, the G114-2.0 MW, has become a leading product due to its low power density, enabling it to optimise the cost of energy and provide an annual energy output that is 20% higher than the G97-2 MW in sites with low wind. Gamesa already has operational 50 Hz and 60 Hz prototypes and there are framework agreements and orders for 504 MW.



The multi-MW platform (5.0 MW) is especially indicated for maximising customer returns in markets with space limitations, where it maximises the net value of investment, and in markets where it is advantageous to concentrate capacity and use high towers, as this platform maximises project IRR.

In these cases, the concentration of capacity reduces civil engineering costs by 10-45%, provides for a smaller environmental impact, and optimises the use of common infrastructure (accesses, lines, substations). Additionally, through concentration in high energy locations, it reduces wake losses (up to 10% depending on the site), thereby increasing productivity.

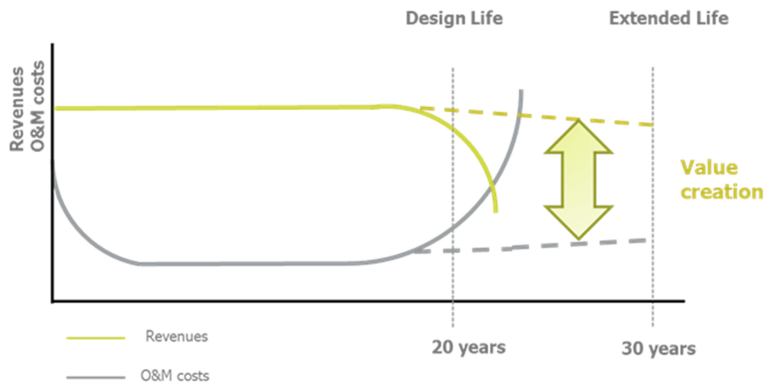
Despite its relative newness, the multi-MW platform has high availability due to the drive train and full converter and complies with the most rigorous grid connection specifications by means of a permanent magnet-based generator and the aforementioned full converter, while the segmented blade allows for transport costs similar to those of the 2 MW platform.

This product portfolio, which aims to achieve the maximum performance with a lower cost of energy, will enable Gamesa to gradually improve prices and margins.

Operation and maintenance services which maximise asset value

In addition to its product portfolio focused on maximising returns for our customers, Gamesa is also a leader in value-added O&M services aimed at maximising asset value. This is especially important in mature markets in Europe, where renewable energy premia are on the decline.

These services include the **useful life extension programme (from 20 to 30 years),** which immediately increases asset value with a minimal investment. The programme, which includes various actions (software/hardware) depending on an analysis of the fleet, makes it possible to keep O&M costs at the level of the first 15 years and generate additional revenues with availability guarantees.



The **Gamesa Premium Availability** programme increases fleet availability and wind farm output, while reducing farm operating and maintenance costs by up to 10%. Wind farms where the programme has been installed have reached stable availability levels of 99%, according to independent consultancy firm GL Garrad Hassan[20].

These services, in addition to others such as power curve enhancements, large component refurbishment, and the overhaul programme, are not exclusive to Gamesa technology and can be applied satisfactorily to products by other manufacturers.

The company's leading position in the provision of valued-added O&M services will make group revenues and profitability more recurrent.

With access to the necessary funding to undertake organic development under the BP 2013-2015, due to efficient management of capital

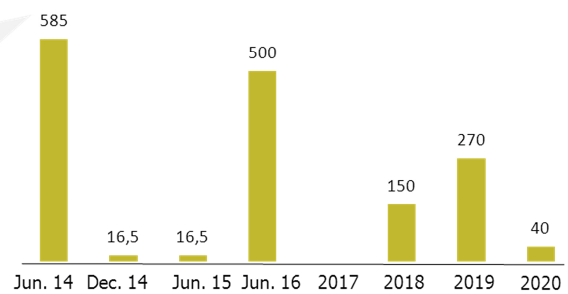
In addition to its commercial positioning and a product and services portfolio aimed at maximising returns for our customers, which increases our projects' profitability and recurring revenues, Gamesa also has sound access to funding to complete the organic development of the BP 2013-2015.

Gamesa has access to more than €2,000 million in credit lines which, together with its growing operating cash flow, will enable it to amortise the syndicated loan tranche in June 2014, for which it had €1,300 million available at the end of March.

[20] Garrad Hassan analysed two wind farms at which GPA enhancements had been installed

- Access to over **€2bn in credit lines**
- Net cash flow in 2014
- **>€1.3bn available to pay off the June tranche**

Amortisation of syndicated loan and EIB loan (€mn)



Alignment with 2014 guidance

With a soundly positioned offer, its commercial presence, and access to funding for the organic development of its business, and in view of the seasonality of the first quarter and the expected increase in activity for the year, **Gamesa ended Q1 2013 with results in line with guidance for the year and with the vision of value creation for 2015.**

	2014 Guidance	Q1 2014		Q1 2013	FY 2013
Volume (MWe)	2,200-2,400	567	✓	446	1,953
EBIT margin at constant exchange rates[1]	>7%	6.7%[1]	✓		
EBIT margin	>6%	6.0%	✓	4.4%	5.5%
WC/revenues (LTM[2])	<10%	21.1%	✓	25%	8.3%
Capex (MM €)	<110	28	✓	25	110
NFD/EBITDA (LTM[2])	<1.5x	2.1x	✓	2.8x	1.5x
Net free cash flow (€mn)	>0	-235	✓	-225	75
ROCE	8.5%-10%	7.3%	✓	4.3%	7.6%

1. EBIT margin using average exchange rates Q1 13
2. Last 12 months

Conclusions

In a context of growing activity due to the recovery in global demand and its sound competitive position, **Gamesa ended the first quarter of 2014 with a steady increase in profitability, an EBIT margin of 6.0% (1.5 percentage points higher than in Q1 2013) and strong growth in revenues, which amounted to €573 million (+17% y/y).** At constant exchange rates, Gamesa achieved 25% growth in sales compared with Q1 2013, and an EBIT margin of 6.7%.

Its sound commercial position, with a diversified geographic presence and customer base, and a product and service portfolio geared to maximise returns for customers**, led to sharp growth in order intake, to 496 MW**, more than twice the figure in Q1 2013. As a result of this order intake, Gamesa's coverage of 2014 sales guidance at the end of March was 74%, i.e. 6 percentage points higher than in 2013, when sales reached the high end of guidance. The order book stood at 1,731 MW at the end of March, i.e. 20% higher than one year ago.

Beyond its strong order intake and order book, **Gamesa enhanced its leading position in markets with strong growth potential in the short, medium and long term,** becoming the **leading manufacturer in India and Mexico and ranking second in Brazil.** In our opinion, this positioning helps strengthen and increase the visibility of the company's medium- and long-term growth potential.

Gamesa also continued to strengthen the balance sheet, building on the improvements attained in 2013. In a context of growth, and despite the normal seasonal fluctuations in the business, Gamesa reduced working capital by 22% with respect to Q1 2013 and improved the working capital/current year revenues ratio for 2014 by 9 percentage points (consolidating the 8-point improvement in 2013). This enabled Gamesa to reduce net interest-bearing debt plus non-recourse factoring by €114 million at the end of the quarter. **This solid financial position and the gradual increase in operating cash flow provide the company with sound access to funding of over €2,000 million with which to finance the organic development of the BP 2013-2015 and undertake the debt repayments envisioned for that period.**

Annex

Financial Statements January-March 2014[21]

- Consolidated

Profit and Loss Account - € million	Q1 2013	Q1 2014
Turnover	486	573
+/- Variation in inventories of finished products and WIP	17	0
Consumption	(314)	(391)
Other operating revenues	5	1
Work performed on own assets	20	15
Personnel expenses	(76)	(71)
Other operating expenses	(89)	(55)
EBITDA	**49**	**72**
Depreciation and amortisation	(20)	(22)
Provisions	(7)	(16)
Net impairment losses	-	0
EBIT	**22**	**34**
Financial revenues	2	1
Financial expenses	(11)	(12)
Exchange differences (profit/loss)	(1)	0
Equity-accounted affiliates	-	0
EBT	**10**	**24**
Taxes	(2)	(5)
Income after taxes (continuing operations)	**8**	**19**
Income for the year from discontinued operations	(1)	(2)
Outside shareholders	-	0
Income attributable to the controlling company	**7**	**17**

[21] Unaudited figures

Balance Sheet - € Million	Q1 2013	Q1 2014
Goodwill	387	387
Operational fixed assets, net	569	594
Non-current financial assets, net	111	102
Deferred taxes	350	372
Inventories	638	559
Customer receivables	1,920	1,453
Receivable from public authorities	330	401
Other accounts receivable	233	131
Current financial assets	17	26
Cash and cash equivalents	579	437
Assets held for sale and discontinued operations	136	29
Total assets	**5,271**	**4,491**
Capital and reserves	1,031	1,031
Non-current provisions and deferred revenues	341	241
Non-current financial debt	1,020	492
Other non-current financial liabilities	56	53
Deferred tax liabilities	59	70
Current bank loans	242	545
Trade and other accounts payable	2,165	1,705
Payable to public authorities	211	251
Other current liabilities	115	104
Liabilities associated with assets held for sale	31	(1)
Total liabilities	**5,271**	**4,491**

Cash Flow – € Million	Q1 2014
Profit (including discontinued activities)	17
+ Depreciation and amortisation	22
+ Provisions	15
+Impairment	0
- Operating provisions paid	(16)
- Long-term variation in taxes, net	(5)
Gross operating cash flow	**35**
-Non-recurrent provisions paid	(12)
- Variation in working capital	(317)
- Others	87
Operating cash flow	**(207)**
- Investments	(28)
Cash flow for the period	**(235)**
- Variation in treasury stock	0
- Others	**0**
Cash flow	**(235)**
Initial net interest-bearing debt	420
End net interest-bearing debt	655

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