

Madrid, 27 February 2014

## January-December 2013 Results

### SOLID EXECUTION OF THE BUSINESS PLAN

Gamesa Corporación Tecnológica<sup>1</sup> exceeded all of its commitments in 2013, with a sales volume of 1,953 MWe, an EBIT margin of 5.5%<sup>2</sup> and net interest-bearing debt of €420 million. The raising capability to generate free cash flow allowed the company to reduce the net financial debt plus non-recourse factoring by €275 million. The company's achievements extend above and beyond its financial results. The necessary actions were rolled out in 2013 to make the company leaner and more flexible, capable of remaining profitable throughout the economic cycle and with lower funding needs. Gamesa reduced its structural costs by €119 million, 19% more than set out in the plan, and implemented measures to optimise variable costs, based on three pillars: product design, supply chain and internal productivity. It also improved working capital management, aligning manufacturing to deliveries and payments and applying the new business model for wind farm development, which is without recourse to the balance sheet. As a result, the company reduced working capital by €243 million in the year and attained a working capital/revenues ratio of 8.3%.

#### Main consolidated figures for 2013<sup>3</sup>

- Revenues: €2,336 million (-12.6% y/y)
- MWe sold: 1,953 (-7.8% y/y)
- EBIT: €129 million (2.8x EBIT 2012)
- Net profit: €51 million
- Net interest-bearing debt: €420 million (-15.2% y/y)
- NFD/EBITDA: c.1.5x
- Working capital/revenues: 8,3%

Group revenues totalled €2,336 million, a decrease of 13% with respect to 2012, as a result of the lower volume of manufacturing (due to aligning production to deliveries in a context of slowing demand) and devaluation of the Brazilian real and the Indian rupee. Sales amounted to 1,953 MWe, 8% less than in 2012 (2,119 MWe), mainly as a result of the slump in the US and Chinese markets, which was partly offset by the rising contribution from emerging markets in Latin America, Asia and Africa. In particular, **wind turbine sales stabilized progressively during the year and even expanded in the fourth quarter**, a trend that is expected to continue in 2014. **WTG sales<sup>4</sup> increased by 22% y/y** in the fourth quarter, due to 12% y/y growth in activity, reaching a volume of 551 MWe, stabilisation of the average selling price (ASP); and the sale of operational wind farms in Greece (25.5 MW) and Germany (18.5 MW).

<sup>1</sup> Gamesa Corporación Tecnológica engages in wind turbine manufacture and provides operation and maintenance services (which were part of the Wind Turbines division in previous years). The wind farm development, construction and sale business, which was part of the Wind Farms division (Gamesa Energía) in previous years, is now classified as part of the wind turbine generator manufacturing business.

<sup>2</sup> The EBIT margin does not include the net impact of non-recurring items (-€5.6mn).

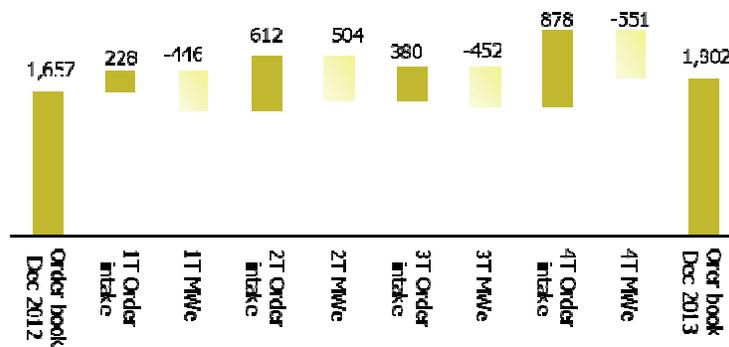
<sup>3</sup> Consolidated figures exclude the impact of non-recurring elements amounting to -€5.6 million in EBIT and net profit. The year-on-year change is calculated with respect to pro forma 2012 numbers, with Energía USA classified under discontinued operations and excluding €550 million in restructuring expenses in EBIT and €600 million in net profit.

<sup>4</sup> Revenues from the WTG manufacturing division exclude O&M division revenues.

In contrast with the year-on-year decline in manufacturing, **O&M revenues expanded by 6% y/y**, but were impacted by a decline in the sale of spare parts during the fourth quarter. O&M services revenues excluding spares increased by 12% year-on-year, slightly faster than the average fleet under maintenance (+9% y/y) and in line with the strategy under the business plan of prioritizing value over volume. In 2013, **the company had an average of 19,657 MW under maintenance and 76.5% of the fleet under maintenance in 2013 is signed for the duration of the plan.**

Order intake also improved considerably throughout 2013, after a weak start. This better performance was especially notable in the fourth quarter, when order intake totalled **878 MW<sup>5</sup>, i.e. 54% higher than in the fourth quarter of 2012. This enabled Gamesa to begin 2014 having already covered 60% of its volume guidance (2,200-2,400 MWe).** Of special note in the fourth quarter is order intake in the US, 202 MW for Iberdrola, and in Brazil, 210 for Casa dos Ventos Energias Renováveis, and a framework agreement with EDPR (not included in the order book), also in the US, for 450 MW.

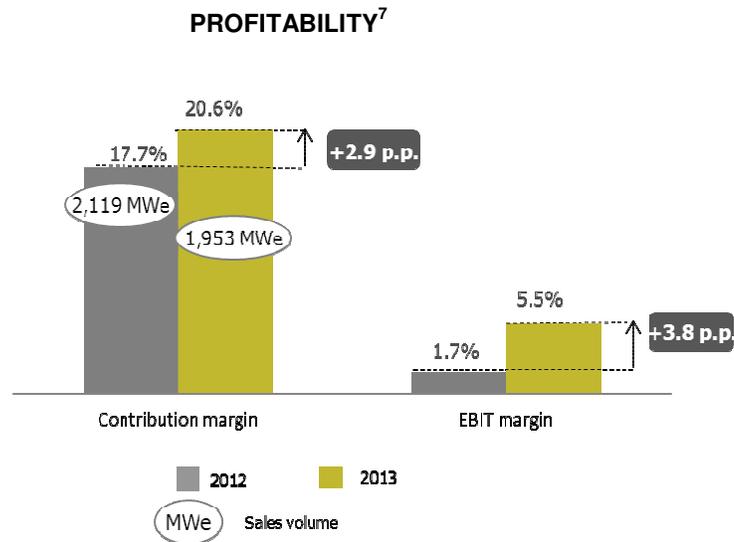
**SALES PERFORMANCE (MWe) AND ORDER BOOK (MW)**



The **recovery in group profitability** that began with the new Business Plan 2013-2015 **continued throughout 2013**, and the company ended the year with an EBIT margin of 5.5%<sup>6</sup>, i.e. 3.8 percentage points higher than in 2012 (1.7%) and slightly above the guidance range (3%-5%) for the year.

<sup>5</sup> Intake of firm orders and confirmation of framework agreements for delivery in the current and subsequent years.

<sup>6</sup> EBIT margin in 2013 excludes a non-recurring net impact of -€5.6 million, EBIT margin 2012 with Gamesa Energía USA classified under discontinued operations, excluding €550 million in extraordinary expenses.



The improvement in profitability is attributable to **sound execution of the programme to save on fixed costs and optimize variable costs**, a favourable project mix, and a strong contribution from the Services division, whose EBIT margin was 11.7% in the period. **Gamesa attained €129 million in EBIT in 2013**, excluding €5.6 million in non-recurring expenses, i.e. **2.8 times the 2012 EBIT (€47 million<sup>8</sup>)**.

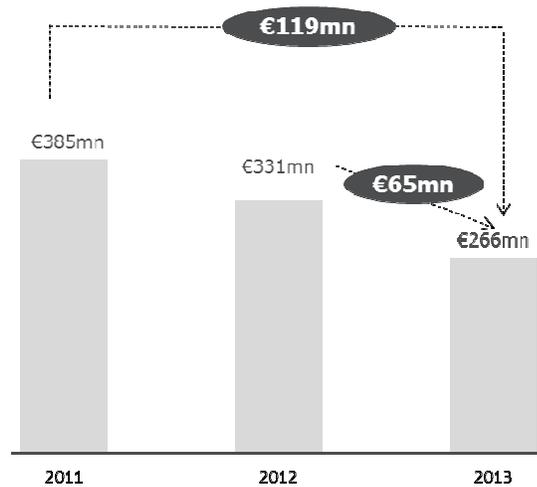
The process of restructuring fixed expenses **is ahead of the target, since accumulated savings (compared with the 2011 baseline) amounted to €119 million**, while the target for 2013 was €100 million<sup>9</sup>. Gamesa has reduced the workforce by 1,307 and cut the number of non-manufacturing locations (corporate and commercial offices, and warehouses) by 50 since the end of 2011. This reduction in the corporate structure, together with savings in almost all general expense items and in leases, enabled the company to end the year with fixed costs of €266 million and reduce the operating break-even point to 1,300 MW, i.e. 35% lower than at 2012 year-end.

<sup>7</sup> EBIT margin excludes €550 million in restructuring expenses in 2012; in the same period of 2013, the EBIT margin excludes a net negative non-recurring impact of €5.6 million.

<sup>8</sup> EBIT 2012 of €47 million is pro forma, excluding restructuring expenses of €550 million and with Gamesa Energía USA classified as discontinued

<sup>9</sup> BP 2013-2015 target of reducing fixed costs by €100 million with respect to the 2011 baseline.

FIXED EXPENSES (€mn)



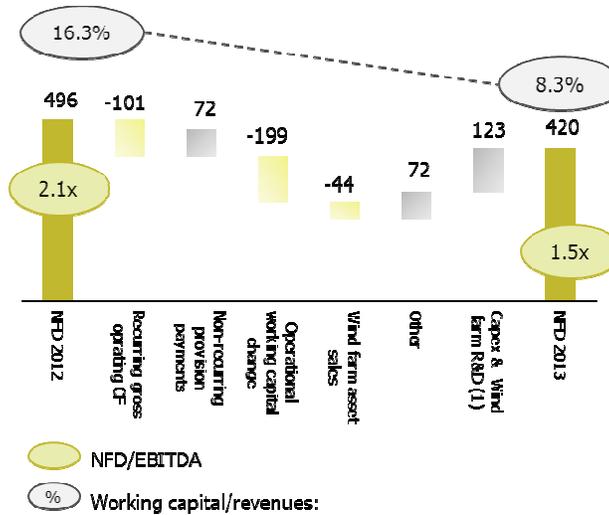
With regard to optimizing variable costs, a range of measures have been taken within the operational excellence programme which will have a steadily increasing impact in the second period of the plan, particularly in 2015. The multidisciplinary teams combining quality, engineering and manufacturing resources are now fully operational. Internal manufacturing capacity has been adjusted to the new demand situation, and new manufacturing processes have been implemented, notably the infusion process for producing blades (representing an investment of c. €12 million in Europe and India since its implementation first started in 2012). In the supply chain, the "build-to-print" strategy has now been rolled out with new suppliers, conditions with existing suppliers are being renegotiated, and numerous product redesigns have been implemented to optimize costs while maintaining reliability and productivity. While the adjustment of internal capacity to the volume and nature of demand and investment in more efficient manufacturing processes will enable the group to ensure the sustainability and profitability of its business going forward, **the reduction in product variable costs across the board while maintaining reliability and productivity is necessary to ensure that wind power is competitive and sustainable in a situation of declining subsidies.**

Together with the improvement in profitability, the measures set out in the business plan in connection with the balance sheet enabled Gamesa to reduce funding needs while also decisively strengthening its balance sheet. The implementation of a new wind farm development model without recourse to the balance sheet enabled Gamesa to reduce working capital associated with the wind farm development pipeline by €96 million. This reduction was also achieved through the sale in Q4 2013 of 44MW of operational wind farms in Germany and Greece, built under a previous model, for €44 million. The implementation of a "manufacturing-to-cash" model, which seeks to better align manufacturing with deliveries and payments, also reduced working capital associated with the former manufacturing division, to reach a working capital/revenues ratio of 6%<sup>10</sup>, compared with 12% in 2012.

As a result of the reduction in working capital and more focused investment, **Gamesa ended 2013 with net interest-bearing debt of €420 million, i.e. €75 million less than in December 2012, equivalent to 1.5x EBITDA**, i.e. well below the guidance ratio of 2.5x. Gamesa also reduced non-recourse discounting, from €449 million at 2012 year-end to €250 million at 2013 year-end, reducing total net interest-bearing debt plus non-recourse discounting by €275 million in year-on-year terms.

<sup>10</sup> Working capital/sales for the WTG or Manufacturing division, according to the business structure prior to the 2013-2015 plan, including O&M services and excluding wind farm development and sale.

NET INTEREST-BEARING DEBT (€mn)



1. Operating capex (€110mn) and wind farm R&D expenditure (€12.5mn) in 2013
2. WTG working capital according to 2012 approach

Gamesa ended 2013 with results that surpassed its guidance for the year and a business model that is progressing towards the value vision envisaged for 2015 through a process of trimming fixed costs, optimizing variable costs and focusing capital expenditure.

**Main factors**

**Consolidated results - 2013**

These 2013 results reflect Gamesa's compliance with the guidance and confirms the results of actions rolled out as part of the 2013-2015 Business Plan.

- Activity: 1,953 MWe sold, in line with the target of c. 2,000 MW
- Results: recurring consolidated EBIT margin of 5.5%, in line with the target of  $\geq 5\%$
- Sound finances: a net interest-bearing debt/EBITDA ratio of 1.5x for the consolidated group, in line with guidance ( $< 2.5x$ )

<i>(€ million)</i>	<b>12M 2012 <sup>(1)</sup></b>	<b>12M 2013 <sup>(2)</sup></b>	<b>% Chg.</b>	<b>4Q 2013</b>
<b>Revenues</b>	2,673	2,336	-13%	681
<b>Contribution margin</b>	475	482	+1%	127
Recurring CM/Revenues (%)	17.7%	20.6%	+2,9pp	18.7%
<b>EBITDA</b>	234	288	23%	81
EBITDA/Sales (%)	8.7%	12.3%	+3,6pp	11.8%
<b>Recurring EBIT</b>	47	129	2,8X	34
Recurring EBIT/Revenues (%)	1.7%	5.5%	+3,8pp	5.0%
<b>EBIT</b>	-504	123	-	33
EBIT/Revenues (%)	-18.8%	5.3%	+24,1pp	4.9%
<b>Recurring profit (Loss)</b>	-59	51	NA	15
<b>Profit (Loss)</b>	-659	45	NA	14
<b>NFD</b>	496	420	-75	420

(1) Non-recurring items: -€550 million in EBIT and -€600 million in net profit.

(2) Non-recurring net items in 2013: -€5.6 million in EBIT and net profit.

## Sales

During 2013, Gamesa sold 1,953 MW, i.e. 8% less than in 2012, mainly as a result of the reduction in sales in the US and China. Nevertheless, activity in 2013 was in line with guidance for the full year (c.2,000 MW).

The Wind Turbine Division's activity during 2013 can be broken down as follows:

(MW)	2012	2013	% chg.	Status
<b>MW delivered to customers</b>	2,495	2,027	-19%	Handover of ownership to customer, in wind farm, or factory; Invoiced.
<b>+ Variation in MWe available Ex Works</b>	-185	150	NA	Variation in stock of WTG available for delivery to customer; Invoiced Ex Works.
<b>+ Variation in MWe Work in Progress</b>	-192	-170	NA	Variation in the stock of WTG not available for delivery to customer; Not invoiced.
<b>MWe sold</b>	<b>2,119</b>	<b>1,953</b>	<b>-8%</b>	

Gamesa continued to expand in emerging markets:

- **Latin America+Southern Cone made the greatest contribution to sales (49%)** and is now the main growth driver (Mexico, Brazil, Chile and Uruguay).
- **Europe and the Rest of the World accounted for 24% of sales.**
- **India accounted for 22% of total sales in the year**, i.e. 10 percentage points higher than its contribution in 2012.

China and Spain are the company's two global manufacturing hubs.

Geographical breakdown of wind turbine sales (MWe) (%)	2012	2013
USA	20%	2%
China	10%	2%
India	12%	22%
Latin America+Southern Cone	32%	49%
Europe and RoW	27%	24%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

Additionally, the **Gamesa 2.0 MW segment accounted for 93% of MWe sold** in 2013, compared with 88% in 2012.

**The Services business is progressing in line with expectations.** The average fleet under maintenance in 2013 reached 19,657 MW, 9% more than a year earlier.

## Profitability

**Revenues totalled €2,336 million in the period, i.e. 13% lower than in 2012 (€2,673 million),** with Gamesa Energía USA classified under discontinued operations following the discontinuation of those assets in Q4 2012.

**The decline in revenues in 2013 is due to lower sales (-8% vs. 2012) and to the reduction in average revenues per MWe, excluding Services.** The Services unit provided €365 million in revenues, exceeding the 2012 figure (€344 million).

**Average revenue per MW (excluding the contribution by services) was negatively affected by currency fluctuations, Gamesa Energía's lower contribution in 2013, and the smaller proportion of revenues linked to construction.** However, those revenues stabilised gradually during the course of the year.

**Gamesa obtained €129 million in recurring consolidated EBIT and an EBIT margin of 5.5% in 2013** (compared with recurring EBIT of €47 million in 2012).

The trend in recurring EBIT performance in 2013 with respect to 2012 was attributable to:

- lower sales volumes (-2.7 percentage points),
- improved fixed costs due to rightsizing under the Business Plan 2013-2015 (+3.4 percentage points),
- an improvement in the contribution margin (+3.0 percentage points) due to lower variable costs associated with overcoming the learning curve for the G97-2.0 MW model, cost optimisation initiatives under the Plan 9/15, and the favourable project mix in H1 2013.

As advanced during the year, profitability declined slightly in **H2 (with respect to H1 2013)** because of the project mix in the second half, the larger contribution from civil engineering (which has lower margins) and the effect of emerging currencies devaluation. Nevertheless, profit in the fourth quarter enabled Gamesa to exceed the EBIT margin guidance for the full year ( $\geq 5\%$ ).

**The O&M unit contributed positively to improving EBIT.** The division had an EBIT margin of 11.7% as a result of action plans under way to increase revenues and profitability faster than MW under maintenance.

**Recurring net income in 2013 (€51 million) was impacted by an €8.5 million loss on equity-accounted affiliates (mainly 9REN) and a €3 million charge for discontinued activities.**

## Balance sheet

**Gamesa had €193 million in working capital at the end of 2013, i.e. 8.3% of revenues.** This represents a significant decline with respect to 2012 (-€243 million), when working capital amounted to €437 million (16,3% of revenues).

Moreover, Gamesa continued to focus on strict control of capital expenditure, ensuring the return on investment and a sound balance sheet. In this line, **capital expenditure amounted to €110 million<sup>11</sup>**, well below the 2012 figure (€190 million). Capital expenditure in 2013 focused on:

- R&D for new products and platforms (G97-2.0 MW, G114-2.0 MW, Gamesa 4.5 MW and offshore).

<sup>11</sup> Capex does not include investments in experimental wind farms (€12.5 million in 2013)

- Adaptation of production capacity to the G97-2.0 MW and the G114-2.0 MW,
- Investment related to manufacturing the Gamesa 4.5 MW platform.

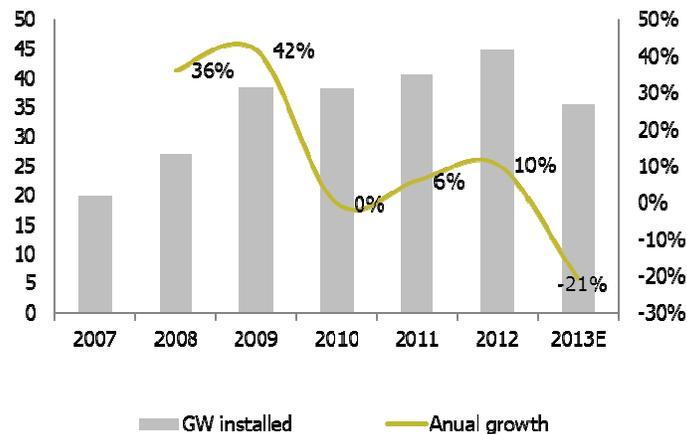
**Gamesa ended the year with €420 million in net interest-bearing debt, i.e. less than in 2012 (€496 million).** Net interest-bearing debt plus non-recourse discounting amounted to €670 million, in 2013, compared with €945 million at 2012 year-end.

**Outlook**

**Growing visibility of global demand and of Gamesa's business in the short and medium term**

In the last few years, the wind industry has operated against a backdrop of uncertainty and very volatile demand resulting from weak economic performance by the developed countries, a high level of indebtedness on the part of the electric utilities, the industry's traditional customers, and the discovery of new fossil fuel deposits. In this situation, demand has shifted gradually from Europe and the United States towards the emerging markets of Asia and Latin America, and from large utilities to independent power producers. This transition was accompanied by a significant reduction in growth rates, which the Gamesa 2013-2015 business plan was designed to address; the result was that the pace of installations fell for the first time in 2013 (E).

**Trend in annual installations 2007-2013E (GW)**

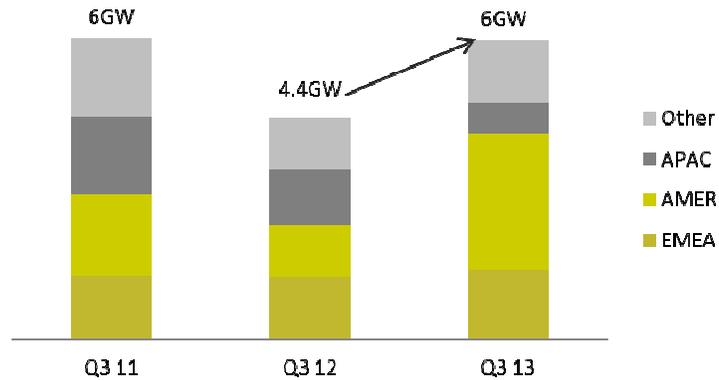


Source: Global Wind Energy Council (GWEC)

Following the decline in installations in 2013 (E), the industry faces the next two years with much greater visibility as regards demand, which is corroborated by the increase in commercial activity in 2013, particularly in the second half of the year<sup>12</sup>.

<sup>12</sup> Final information on orders signed in Q4 2013 pending publication at the date of this report. Year-on-year growth in Gamesa order intake in Q4 2013: +54%.

## Firm orders Q3 2011-Q3 2013 (GW)



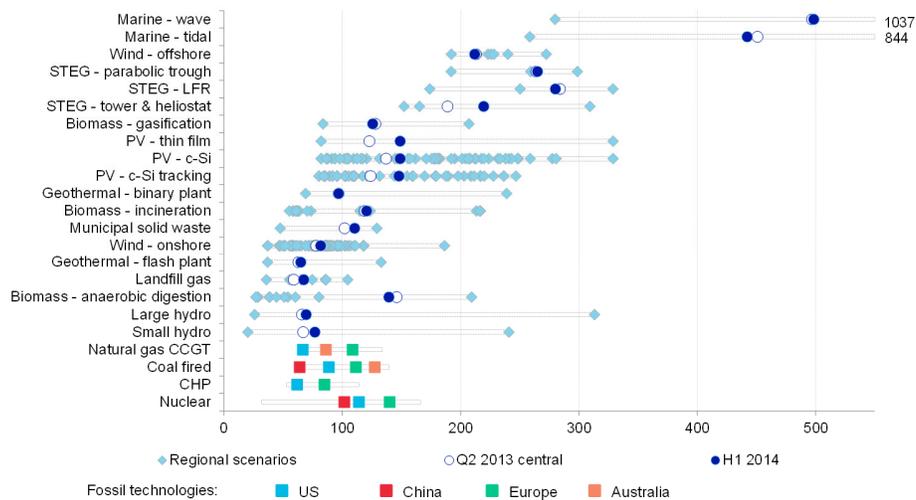
Source: MAKE (Q4 Global Wind Power Market Outlook Update)

The recovery in the pace of installations in 2014-2015, following the decline in 2013, will be sustained by three factors: the steady improvement in competitiveness and thus of wind power, energy needs in the emerging markets, and the recovery by the US market.

### Wind power's competitiveness: the key to demand growth in the short, medium and long term

As a result of the rapid evolution in the cost of wind energy since inception, it is now one of the most mature renewable energy sources in terms of costs, as shown in the graph.

## LEVELIZED COST OF ELECTRICITY (LCOE USD/MWh)



Source: Bloomberg New Energy Finance

This maturity has enabled it to compete on favourable terms with traditional sources at high wind locations, as evidenced by the development of projects in such markets as Mexico and Peru and by the outcome of the auctions in Brazil.

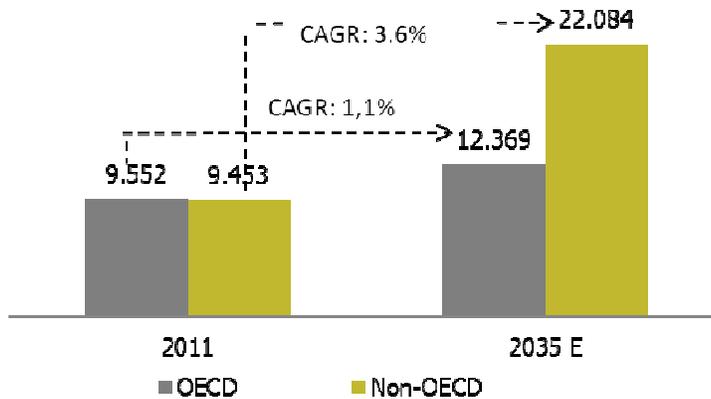
However, the race for competitiveness is not over and work to develop new wind power products remains focused on improving the cost of energy at low and medium wind sites, which are expected to attain grid parity in 2015-2016. In its report on global trends in the wind industry, MAKE estimates that the products launched since 2011 have contributed to the 12% reduction on average in the cost of energy and that the next generation of products that will come on the market in the next few years will contribute an additional 7% reduction.

This sustained commitment to increasing competitiveness is essential to enable the wind industry to play a relevant role in the design of Europe's future electricity systems at a time when costs are a priority.

**Energy demand in growing economies**

One of the main reasons for the slowdown in demand and the geographic shift from developed to developing economies was the impact of the weak economic situation on electricity demand. According to the International Energy Agency's World Energy Outlook 2013, 80% of growth in electricity demand over the next 20 years will come from the emerging economies; this projection is supported by the prospects of economic growth in those countries, where energy consumption per capita is currently very low.

**ELECTRICITY DEMAND, BY REGION (TWh)**



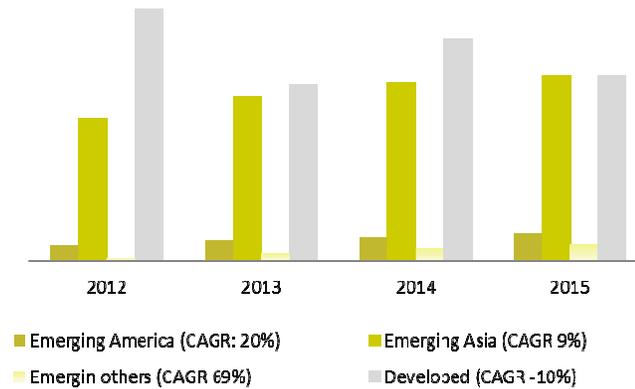
Source: IEA (World Energy Outlook 2013)

Economic growth is not the only factor driving the demand for electricity; many countries also need to reduce their excessive dependence on a single energy source, such as hydroelectricity in Brazil (70% of total supply), and coal in China (>60%) and India. In the latter case there are two additional factors: a 10% shortfall with respect to peak demand, and 40% of the population that does not yet have access to electricity.

In this situation, these and other emerging countries have resorted, or are beginning to resort, to wind power as a means of meeting their growing energy needs while diversifying away from a

single source. China's 12th Five-Year Plan plans to have 105 GW of installed capacity by 2015, and 200 GW by 2020, and India plans to have 15 GW of wind capacity by the year 2017.

**WIND INSTALLATIONS 2012-2015E**

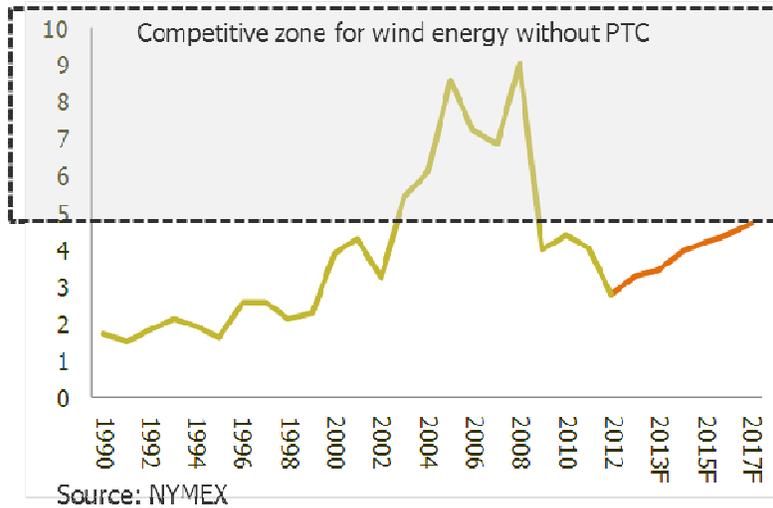


Source: BTM (World Market Update March 2013)

**Recovery in the US market**

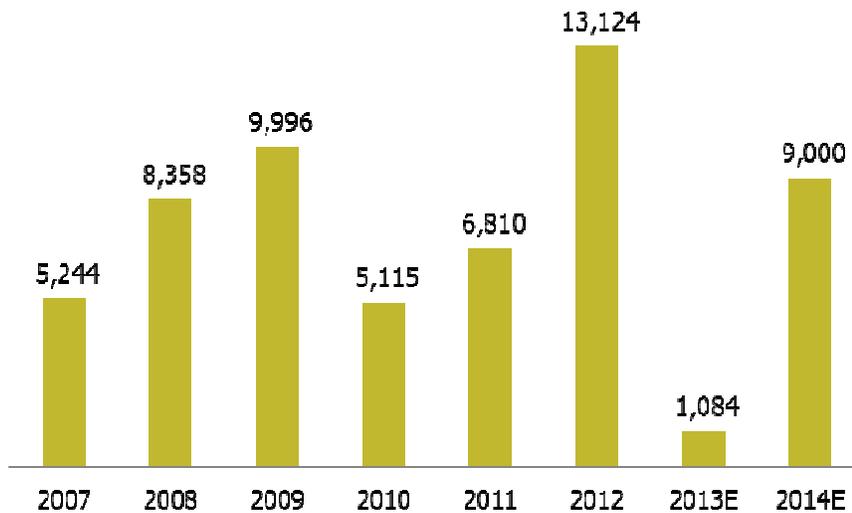
The third factor behind greater demand visibility is the recovery by the US, the market that was the main reason for the slowdown in the pace of installations in 2013. The development of the US market has been shaped by renewable regulation based on short-term production/investment incentives, supported by renewable targets whose obligatoriness varies from state to state. This situation has generated a sawtooth pattern of demand, in which years with a strong pace of installation are followed by years of sharp contraction down to the levels imposed by the states where renewable targets are binding. This demand cycle has been exacerbated on the downside by low gas prices, which greatly reduce wind's competitiveness despite the existence of numerous high and medium wind sites.

**GAS FUTURE PRICE CURVE (USD/MMBtu)**



In this situation, the fact that the production and investment incentives for renewables were not renewed until December 2012 paralyzed new orders in that year, as reflected in the contraction in installations in 2013, but nonetheless assured a recovery in installations in 2014, as shown in the graph.

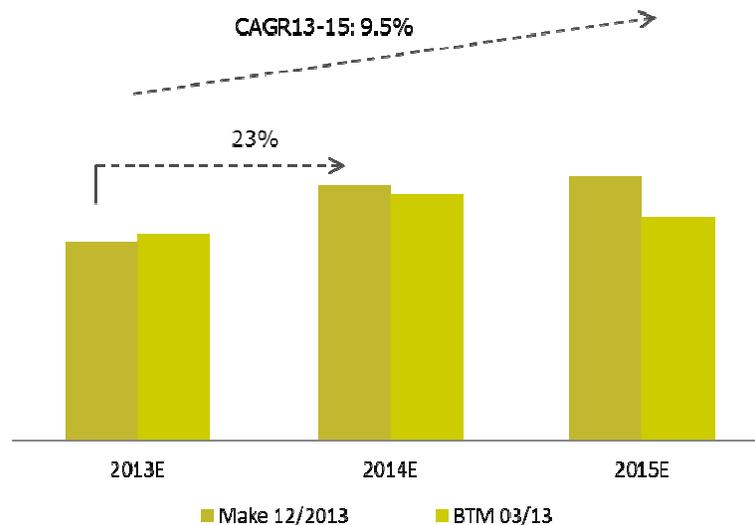
**CONTRACTION/EXPANSION CYCLE AND DEMAND RECOVERY IN THE US (MW)**



Source: BTM (World Market Update March 2013)

In this situation, considering the impact of wind's growing competitiveness, energy demand in developing countries and the recovery by the US market, Gamesa, taking a slightly more conservative position than a number of external consultants, estimates 20% onshore demand growth in 2014 and stable installation volume in 2015.

**INSTALLATIONS 2013E-2015E**



Beyond 2015, other factors such as the economic recovery in Europe, closure of obsolete capacity in markets such as the UK and nuclear capacity in countries such as Germany, renewable targets and, above all, wind energy's increased competitiveness support single-digit growth in the pace of installation.

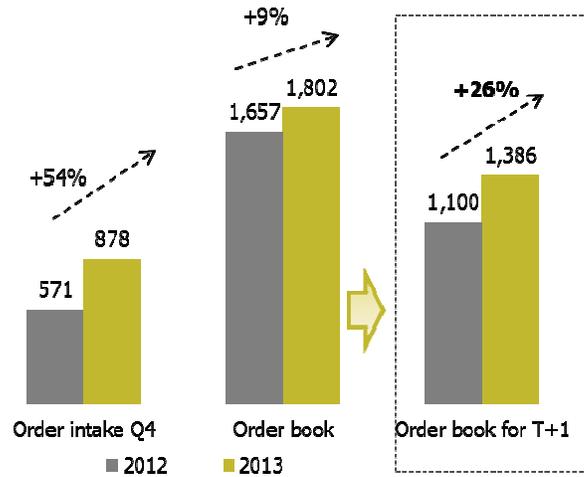
In this market context, Gamesa has a number of advantages that support business volume growth in line with the market in the short and medium term. Firstly, its considerable commercial diversification: wind turbines installed in 42 countries, sales offices in 18 countries and relations with over 200 customers in a broad range of sectors: large utilities, IPPs, finance companies and industrial groups. Moreover, in 2013 it made sales in three new countries and gained over 20 new customers.

Within this commercial diversity, the company has a solid position in fast-growing emerging markets such as India, Brazil and Mexico. This position, which represents a major competitive advantage within the industry because of the slowdown in installations in Europe, was achieved due to

- early entry into some of these markets, such as Mexico,
- involvement in the wind farm development activity, which is vital for the self-consumption segment in India and Mexico
- strong knowledge of local markets
- a product that is a good fit to customer needs, and, finally
- a supply chain and manufacturing presence that adapts to each market's requirements.

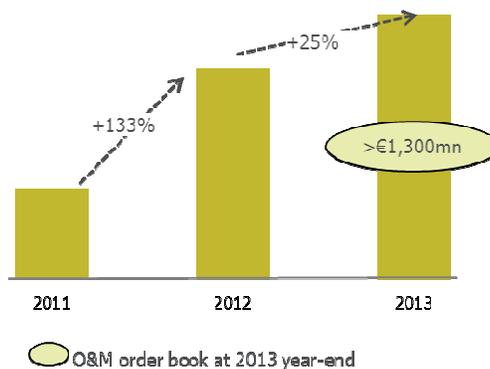
Gamesa has also benefited from the recovery in the US market, where it signed 248 MW in orders in the fourth quarter as well as a framework agreement with EDPR for 450 MW, ending 2013 with 9% growth in the order book, having covered 60% of projected activity for 2014 (2,200-2,400 MWe).

ORDER BOOK (MW)



Gamesa enters 2014 not only with greater visibility on its manufacturing activity and wind turbine sales but also with solid prospects for the Operation and Maintenance division, all fully aligned with the targets of the business plan. The order book has expanded by 133% and 25%, respectively, in the last two years, and amounted to €1.3 billion at 2013 year-end.

ORDER INTAKE



Moreover, in 2013 the company retained/recovered 6,000 MW and 76.5% of the fleet under maintenance is signed for the entire duration of the plan. Over 70% of wind turbines sale agreements that include a service contract have an average term of over two years (10 years on average) and almost 70% of the plant under maintenance has a full-service contract.

The trend in all these parameters evidences that the company's operation and maintenance business is sound and underpins its future prospects. In 2014, Gamesa will continue to promote the value-added products in this area: useful life extensions, power curve enhancements, availability improvements, and reductions in wind farm operating expenses, all of which offer considerable value to customers in a situation of tariff adjustments.

### **Implementation of the business plan: continuous improvement in profitability, and focused capex**

As noted above, the business plan that Gamesa presented to the market in October 2012 and implemented that same year is a response to the need to be profitable in a situation of slower demand growth. In 2013, Gamesa focused on attaining a leaner structure to adapt to the new market situation and on implementing measures to optimize product costs whose impact will be felt gradually but will not be fully visible until 2015.

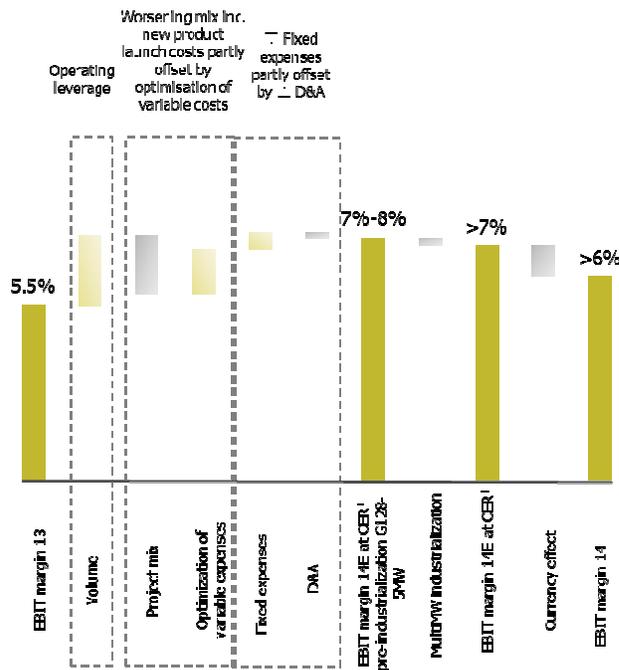
The reduction in the breakeven point as a result of adopting a structure more in line with current demand will contribute significantly to improving profitability in 2014 because of the projected increase in business volume. Moreover, the company will continue to reduce fixed costs in 2014, enabling it to achieve a ratio of fixed costs to revenues below the 10% target, offsetting the expected increase in depreciation and amortization in 2014.

As for variable costs and the projected trend in contribution margin, the impact of the measures adopted in 2013 and of those that will be implemented in 2014, coupled with the strategy of constantly aligning internal capacity to demand, plus the rising contribution from O&M services will offset the deterioration in the project mix during the year, including the cost of launching new products such as the G114-2.0 MW. In this way, Gamesa expects to attain a recurring EBIT margin of 7.0-8.0%, which will nevertheless be depressed to the lower end of the range (7%) because of the cost of tooling up for the multiMW platform. The learning curve (industrialization costs) of that platform will decline significantly in 2015, when the contribution margins of MW and multiMW projects are expected to be similar.

To minimise the negative impact of foreign currency movements, €10 million in operating profit in 2013, Gamesa is now actively managing exchange rate risk based on the relationship between costs and risks and on the company's projections for the currencies to which it is exposed (mainly the Indian rupee, the Brazilian real, and the US dollar). As part of this policy, Gamesa has a natural hedge because of localizing its costs (70% of the total in India and Brazil). Moreover, Gamesa started to implement a policy of indexing contracts with clients to transfer to them the variation of the exchange rate on those costs that are in a different currency to that of the contract currency. Last, Gamesa arranges hedges for contracts that are not indexed to cover the exchange rate moves from the time of the indexation to the collection time.

Despite this active management policy, which will be improved in the future as the company progresses with localizing components, Gamesa estimates that recent currency fluctuations will have an impact on EBIT amounting to one percentage point of revenues in 2014, reducing the EBIT margin at constant exchange rates from over 7% to a range of >6% in current terms.

EBIT MARGIN PROSPECTS 2014



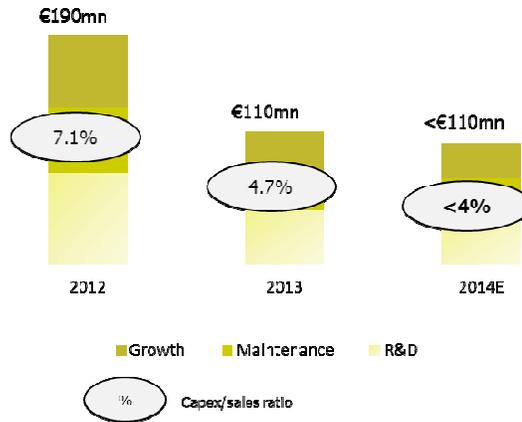
1. CER: Constant exchange rate: 2013 average exchange rate

The measures in the business plan are not confined to optimizing the structure and product costs; they also focus on strengthening the balance sheet through stricter management of working capital and lower investment intensity, in line with market demands. Lower intensity of capital expenditure is also facilitated by:

- The Make&Buy strategy, with a greater contribution from outsourcing, which makes it possible to reduce investment in manufacturing plant and tooling
- Product modularization and simplification (the key to reducing variable costs)
- Leveraging the MW and multiMW platforms to develop new products

These factors enable the company to project capital expenditure below the 2013 level (€110 million), i.e. less than 4% of estimated revenues.

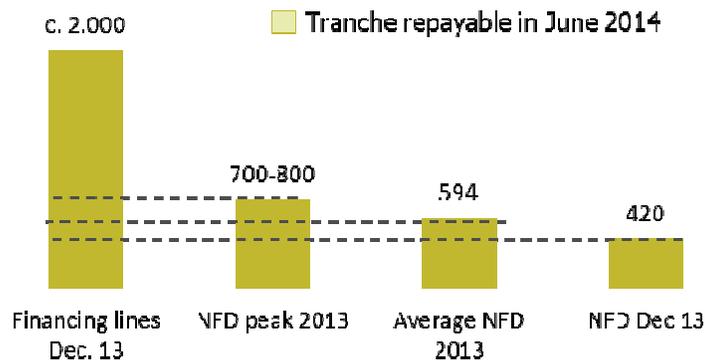
**GREATER FOCUS, LOWER INTENSITY: ALIGNING INVESTMENT WITH MARKET NEEDS**



**Capital management: funding the BP 2013-2015 organically**

All these actions—trimming the structure, optimizing product costs, and focusing investment—make a decisive contribution to reducing the business's funding needs. Those needs have also been reduced by more effective management of working capital due to the implementation of the new business model at Gamesa Energía, which does not resort to the balance sheet, and greater alignment between manufacturing, delivery and collection. This situation, coupled with the prospect of positive net free cash flow within the horizon of the business plan, enable Gamesa to pay off the first tranche of the syndicated loan without having to refinance it in the capital markets.

**FUNDING NEEDS AND AVAILABILITY 2013 (€mn)**



## 2014 guidance: fulfilling 2013 commitments and moving towards the 2015 vision

Projected market development, the order book and coverage of projected sales for 2014, and the impact of the measures in the business plan related to costs and the balance sheet enable Gamesa to project a rising trend in both revenues and EBIT margin in 2014 and to continue deleveraging the balance sheet, thereby resuming the creation of shareholder value as set out in the table.

	2013 Guidance	2013		2014 Guidance
Volume (MWe)	1,800-2,000	1,953	✓	2,200-2,400
EBIT margin at constant exchange rates <sup>1</sup>		5.9% <sup>1</sup>	✓	>7% <sup>1</sup>
EBIT margin	3%-5%	5.5% <sup>2</sup>	✓	>6%
Working Capital/sales	c.15%	8.3%	✓	<10%
Capex (MM €)	<150	110	✓	<110
NFD/EBITDA	<2.5x	1.5x	✓	<1.5x
Net free cash flow (€mn)	>0	75	✓	>0
<b>ROCE</b>		<b>7.6%</b>		<b>8.5%-10%</b>

1. Margin using previous year's average exchange rate
2. EBIT margin excluding a non-recurring impact of -5,6 MM €

## Advancing with the offshore strategy: agreement with Areva

In addition to organic development of the plan, which is continuing in 2014, Gamesa is beginning to advance with its offshore strategy, having announced an outline agreement with Areva. Successful conclusion of the outline agreement will enable both companies to expand opportunities in the offshore segment while reducing their respective levels of capital expenditure, maximizing the returns of entering this segment by pooling:

- Areva: 4 years' offshore experience, with manufacturing capacity, a working product and an order book,
- Gamesa: 20 years' experience in the onshore value chain with solid expertise in development, manufacturing and supply chain management, as well as a cutting edge multiMW technology, as applied in the G128-5MW offshore prototype.

The joint venture would also have two products in the segment where most demand would be concentrated in the short and medium term: 5MW-6MW, with Areva's M5000 and Gamesa's G128-5MW offshore wind turbines.

Gamesa's G128-5MW offshore turbine, a prototype of which is already operational, includes proprietary patented leading-edge technology:

- **Gamesa Multismart**®— Less vibration and loads 30% lower
- **Gamesa CompactTrain**®— fewer components and lower costs
- **Gamesa GridMate**®— modularity and redundancy to minimize downtime

The nacelle has redundant systems that minimize downtime, provide a rapid startup and ensure a short shutdown time in high wind conditions. It also has a monitoring system to minimize maintenance time and costs. The G128-5MW has had 1.3 million hours of development and \$300,000 on validation

so as to minimize the adaptation time required to obtain total reliability. The type certificate is expected to be obtained in the first quarter of this year with a view to beginning to market this product.

**Conclusions – Beating goals, resuming value creation**

Gamesa Corporación Tecnológica ended the first year with solid results, having exceeded all the financial commitments made to the market for 2013 and generated €75 million in free cash flow in the year:

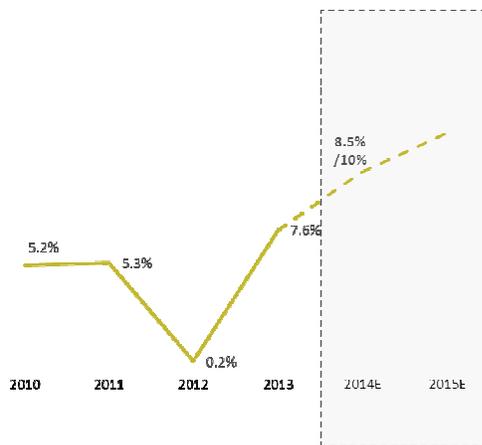
- 1,953 MWe in sales,
- EBIT margin of 5.5%<sup>13</sup>, above the 2013 guidance and in line with the projection as updated in November 2013
- net interest-bearing debt of €420 million, i.e. 1.5 times group EBITDA.

Business stabilized during the year as did sale prices, rising in the fourth quarter. Order intake followed a similar trend, rising steadily to attain 54% growth year-on-year; as a result, Gamesa ended the year with an order book of 1,802 MW, i.e. covering 60% of projected sales for 2014.

However, more important than the financial results is the implementation of a leaner, more flexible organization, with a manufacturing structure and capacity that is constantly being adapted to the market, as variable costs are steadily being optimized. All these factors plus an improvement in demand enable the company to **project steady growth in volume and profitability in 2014 as it works to create shareholder value.**

It is becoming clear that the measures under the business plan are creating an organization capable of **staying in the black throughout the cycle, from peak to trough, with lower funding needs, in line with the vision for 2015** assuming constant exchange rates.

**PROJECTED ROCE**



1. ROCE 2014 using a 20% marginal tax rate.

<sup>13</sup> EBIT margin guidance: 3%-5%. EBIT margin including €5.6 million in non-recurring costs, mainly due to impairments for the wind farm pipeline.

## Annex

### Financial Statements January-December 2013

#### Gamesa Corporación Tecnológica

Profit and Loss Account - €mn	2012	2013
<b>Turnover</b>	<b>2,665</b>	<b>2,336</b>
+/- Variation in inventories of finished products and WIP	-57	-172
In-house work on property, plant and equipment	93	74
Other operating revenues	9	6
Consumption	-1,825	-1,390
Personnel expenses	-366	-310
Other expenses	-318	-258
<b>EBITDA</b>	<b>201</b>	<b>285</b>
Depreciation and amortisation	-97	-87
Provisions	-319	-68
Impairment losses	-289	-7
Gains (losses) on disposal of non-current assets	0	0
<b>EBIT</b>	<b>-504</b>	<b>123</b>
Financial revenues	21	10
Financial expenses	-71	-55
Exchange gains (-)/losses (+)	-9	-10
Impairment of non-current financial assets	-25	
Income from equity-accounted affiliates	-1	-9
<b>Income/(loss) before taxes</b>	<b>-589</b>	<b>60</b>
Taxes	88	-11
<b>Net profit /(loss)</b>	<b>-501</b>	<b>49</b>
Income for the year from discontinued operations	-158	-3
Outside shareholders	0	-1
<b>Income attributable to controlling company</b>	<b>-659</b>	<b>45</b>

<b>Balance Sheet - €mn</b>	<b>2012</b>	<b>2013</b>
Goodwill	387	387
Operational fixed assets, net	565	585
Non-current financial assets, net	112	102
Deferred taxes	348	379
Inventories	590	496
Customer receivables	1,628	1,202
Receivable from public authorities	296	410
Other accounts receivable	116	162
Current financial assets	15	29
Cash and cash equivalents	915	894
Assets held for sale and discontinued operations	143	113
<b>Total assets</b>	<b>5,114</b>	<b>4,759</b>
Capital and reserves	1,029	1,018
Non-current provisions and deferred revenues	359	253
Non-current financial debt	1,121	524
Other non-current financial liabilities	47	55
Deferred tax liabilities	57	81
Current financial debt	251	738
Trade and other accounts payable	1,906	1,707
Payable to public authorities	210	281
Other current liabilities	94	102
Liabilities associated with assets held for sale	40	1
<b>Total liabilities</b>	<b>5,114</b>	<b>4,759</b>

Cash flow - €mn	2013
Profit (including discontinued activities)	45
+ Depreciation and amortisation	87
+ Provisions	67
+ Impairments	7
- Payment for operating provisions	-108
- Long-term variation in taxes, net	-8
- Others	10
<b>Gross operating cash flow</b>	<b>101</b>
- Payments for non-recurring provisions	-72
- Variation in operating working capital	199
+ Sales of commissioned wind farms	44
- Others	-48
<b>Net operating cash flow</b>	<b>224</b>
- Investments	-123
- Others	-4
<b>Cash flow for the period</b>	<b>97</b>
- Dividends paid	1
- Variation in treasury stock	0
- Others	-22
<b>Cash flow</b>	<b>75</b>
Initial net interest-bearing debt	496
Final net interest-bearing debt	420

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