

## January - December 2014 Results



2014 objectives: surpassed  
2015 vision: achieved early  
Prospects for value creation: improved

An aerial photograph of a white Gamesa wind turbine. The turbine is the central focus, with its three blades extending outwards. The nacelle, located at the hub of the blades, features the Gamesa logo and name. The background consists of a vast, flat landscape covered in low-lying, scrubby vegetation. A dirt road or path is visible winding through the terrain. The lighting suggests a bright, sunny day, casting shadows on the ground.

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An aerial photograph of a wind farm at sunrise. The sun is low on the horizon, creating a bright glow and long shadows. The wind turbines are silhouetted against the sky, and their shadows are cast on the ground. In the foreground, the curved surface of a wind turbine nacelle is visible, reflecting the sunlight. The text "Period highlights" is overlaid in white, with a yellow underline.

# Period highlights

# Growth in revenues, profitability and cash flow



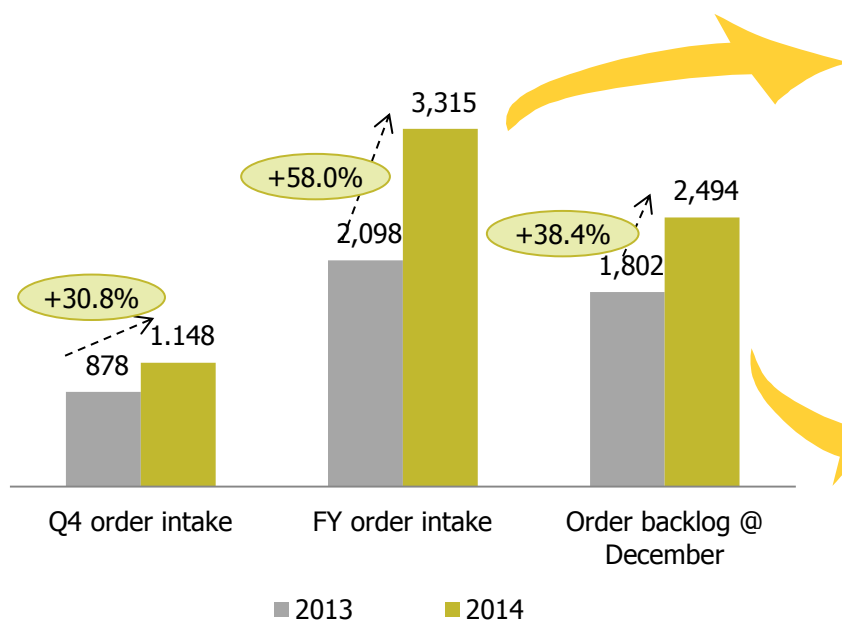
- ✓ **Strong commercial performance**
  - Order intake: 3.3 GW<sup>1</sup> 1.6x 2013
  - Sales rising again: +22% vs. 2013
- ✓ **Rising gains in profitability**
  - EBIT margin<sup>2</sup>: 6.7%, +1.2 p.p. vs. 2013 (+1.7 p.p. @ FX 2013)
  - Net profit: €101mn<sup>2</sup>: x2 2013
- ✓ **Greater capacity to generate cash and create shareholder value**
  - €330mn<sup>3</sup> net free cash flow: 4.4x 2013
  - ROCE: 11.1%: +3.5 p.p. 2013
  - Paying dividends again: Payout ratio<sup>4</sup> 25%
- ✓ **2015 vision achieved ahead of schedule, with improving future prospects**

1. Firm orders and confirmation of framework agreements for delivery in 2014 and subsequent years
2. Excluding the impact of non-recurring items amounting to €9.4mn
3. Includes €120mn from asset sales; excludes funds from equity issue
4. Payout ratio (percentage of net profit distributed as dividends) subject to prior approval from the Shareholders General Meeting

# Strengthening commercial activity

Improving growth prospects and visibility in the short and medium term

## Order intake and order book<sup>1</sup> 2013-14 (MW)



### ► Strong commercial activity in Brazil, India and China in 2014

- 1,000 MW of orders from Brazil
- 850 MW of orders from India
- 450 MW of orders from China

### ► Improvement in order intake from Europe (c.3x 2013) and the USA (+64% vs. 2013)

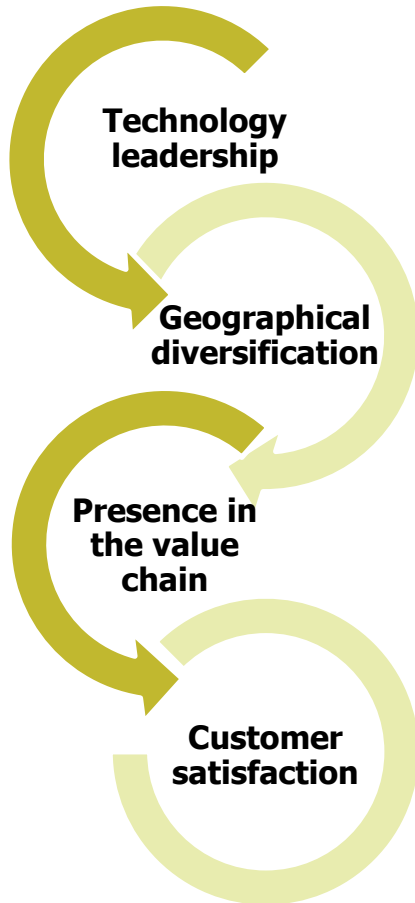
### ► Coverage of 2015 sales guidance: 64%<sup>2</sup> (vs. 53% en 2014)

### ► 30% of the order book consists of G114 2.0 MW and G114 2.5 MW

1. Firm orders and confirmation of framework agreements for delivery in 2014 and subsequent years
2. Coverage calculated with respect to average of the guidance range for 2015 (2,800-3,100 MWe) and actual sales volume for 2014 (2,623 MWe).

# 4 key levers

## Technology leadership, geographical positioning, a presence throughout the value chain and customer trust



### Technology Leadership: G114 2.0 MW and 2.5 MW

- ✓ G114-2.0 MW won the 2014 Gold medal from WindPower Monthly in the most hotly contested category (<2.9 MW)
- ✓ G114-2.5 MW and G106-2.5 MW for medium and high wind sites:
  - c.30% more energy production<sup>1</sup>
  - Nominal reduction in the cost of energy by 10%<sup>1</sup>
- ✓ MaxPower
- ✓ Offering of value added services: Energy Thrust, Life Extension, Overhaul, GPA

### Competitive strength in markets with above-average growth

- ✓ Local know-how
- ✓ Domestic manufacturing and supply chain
- ✓ Product adaptation to site

### Presence throughout the value chain

- ✓ Development, manufacturing, construction, operation and maintenance

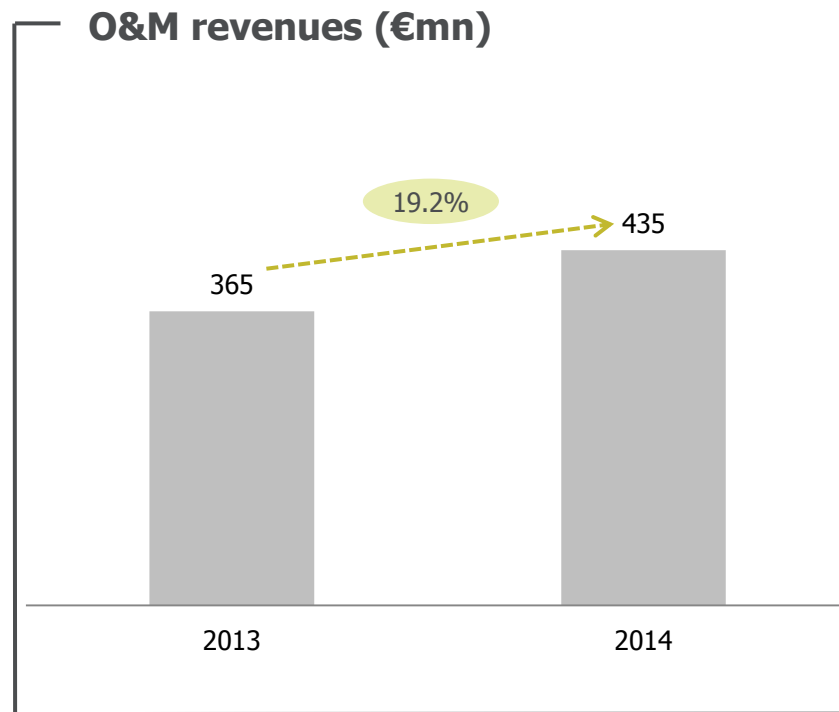
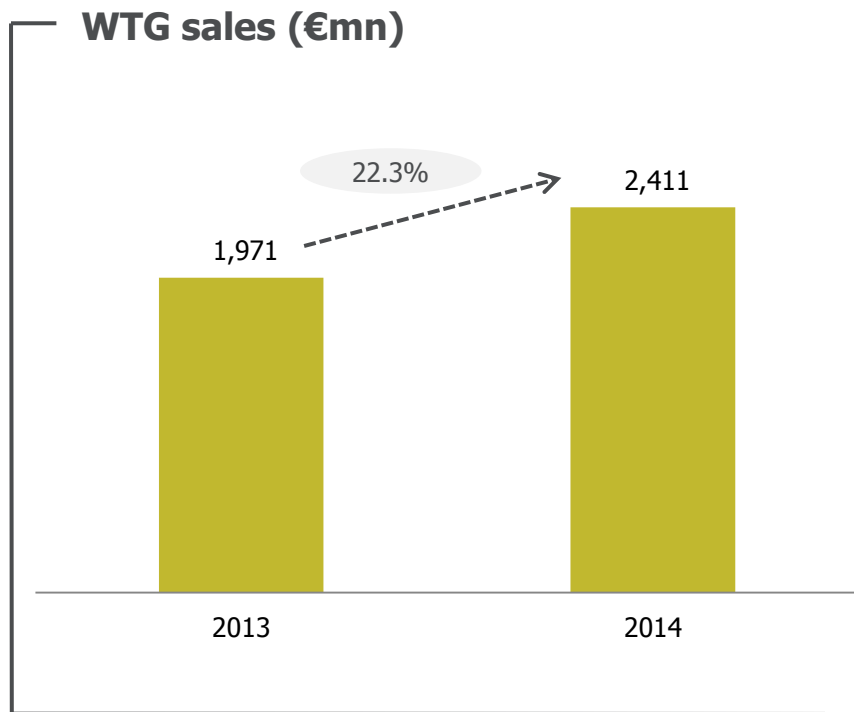
### Top-level manufacturer with a superior offering in terms of quality and price

- ✓ Highly reliable product and maintenance service
- ✓ Viewed very positively for meeting deadlines, adapting to complex locations and providing technical support in construction
- ✓ Flexibility and willingness to create value for both parties

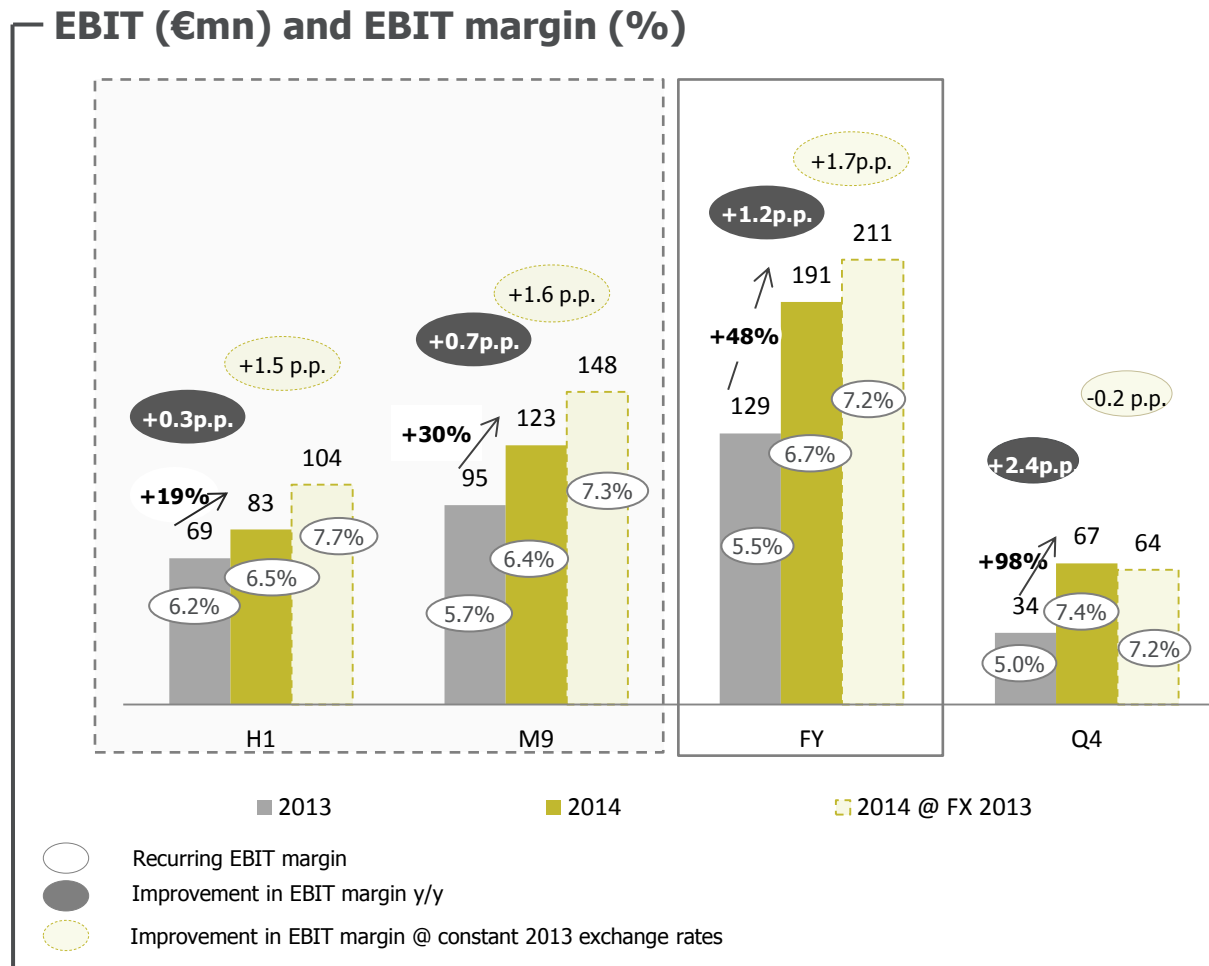
1. With respect to G90-2.0 MW (in the case of G106-2.5 MW) and the G97-2.0 MW (in the case of G114-2.5 MW)

# Activity and sales above the targets set out for 2014 and in the BP 13-15

**WTG sales recovering and double-digit growth in services, in line with the plan**

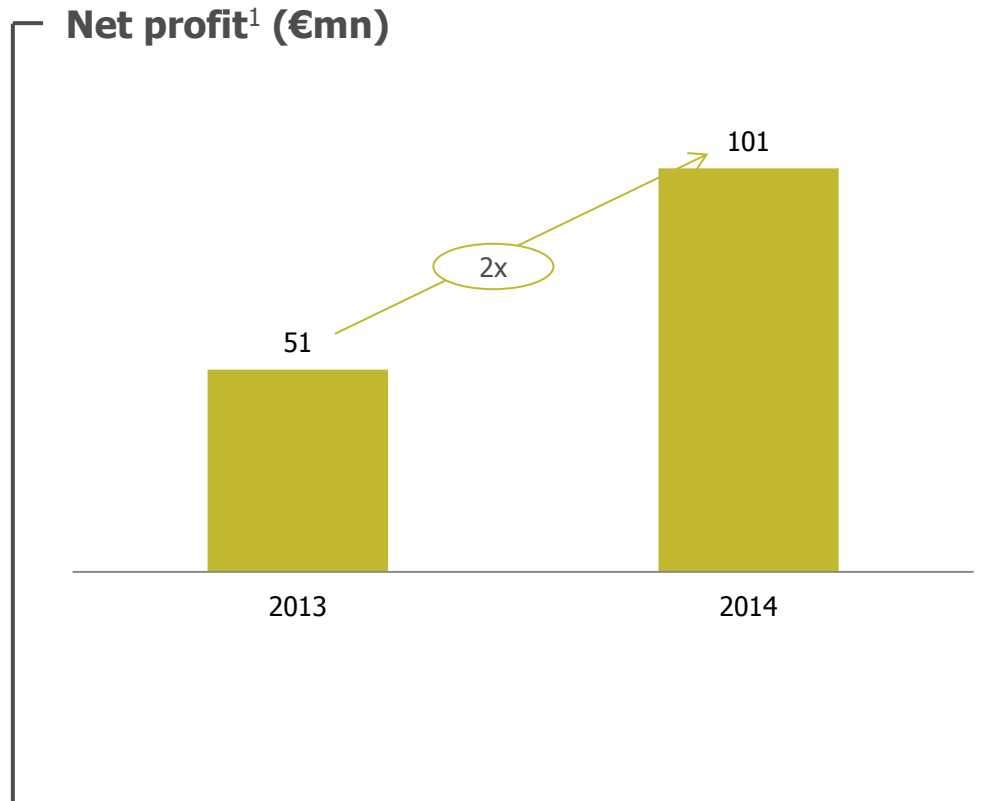


# And rising gains in EBIT: +48% y/y in absolute value, with the margin up 1.2 p.p.



1. EBIT margin excluding non-recurring items amounting to €5.6mn in 2013 and €9.4mn in 2014 (mainly due to capital losses on asset sales)

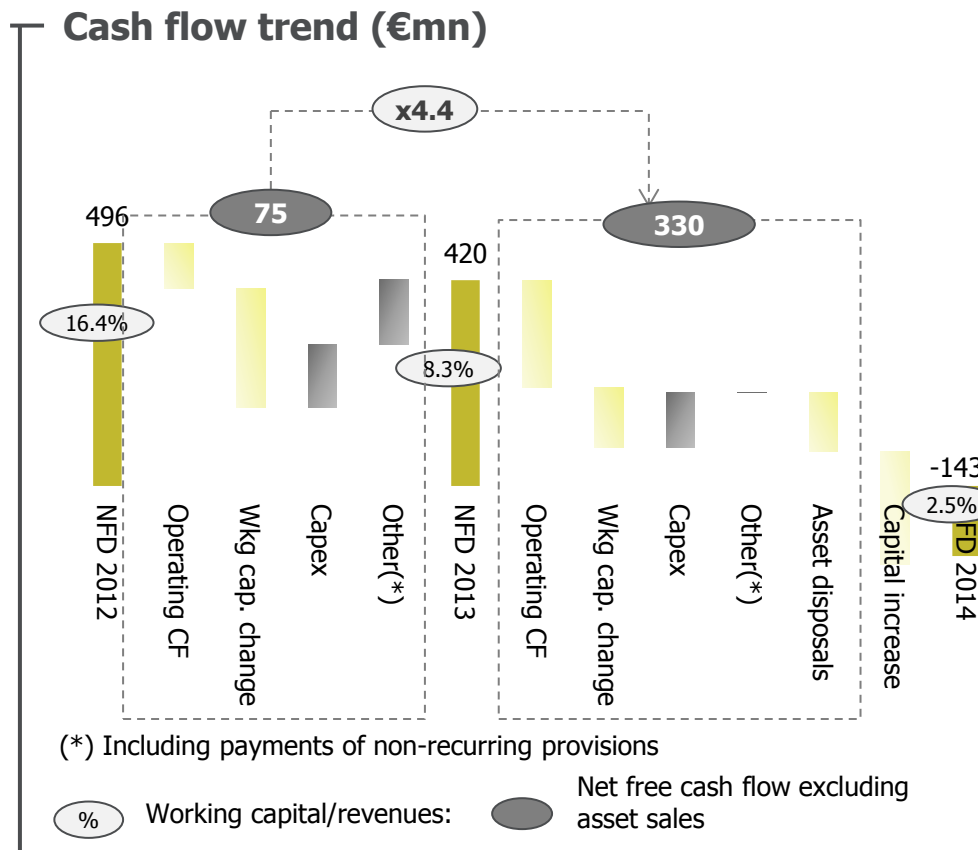
# Net profit doubled y/y in 2014



1. Recurring net profit excluding non-recurring items amounting to €5.6mn in 2013 and €9.4mn in 2014 (mainly due to capital losses on asset sales)

# Over €330mn in free cash flow

By improving operating profitability, strict control of working capital and efficient investment focused on optimising CoE



## Improved operating profitability

- **Generating rising recurring gross operating cash flow**
  - €200mn in 2014 vs. €92mn in 2013
  - Non-recurring provisions: €41mn in 2014 (€72mn in 2013)

## Control of working capital

- **Working capital cut** by €122mn in 2014 (€243mn in 2013)
  - Project management aligned with cash flow
  - Energía business model without recourse to balance sheet:

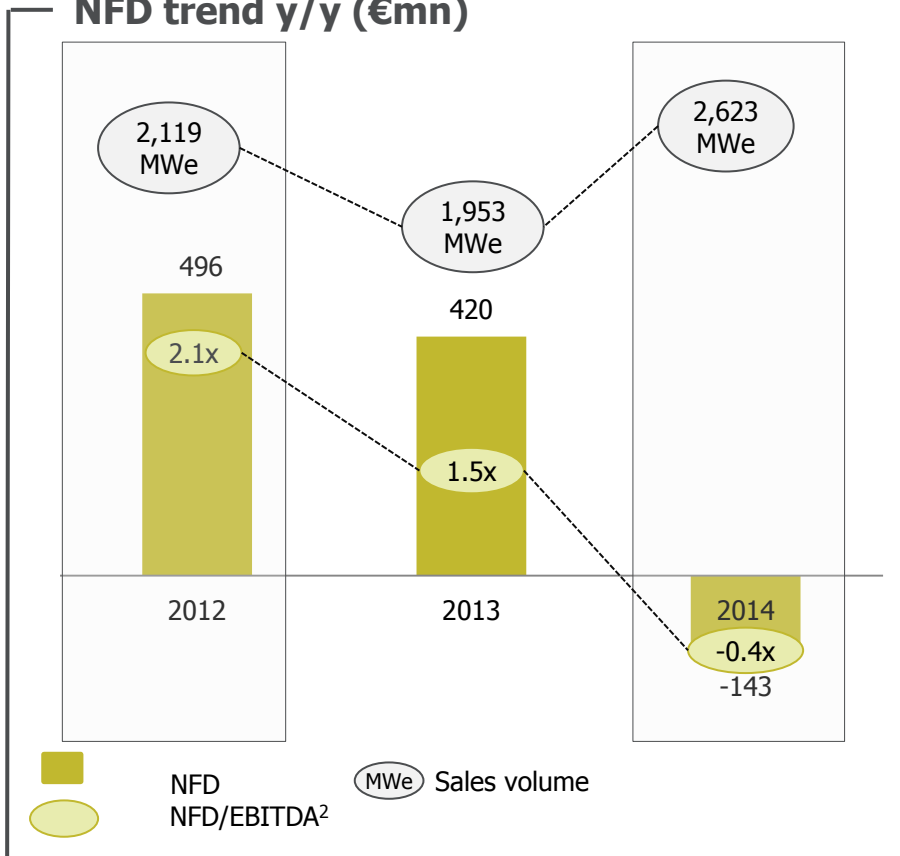
## Focused capex

- **Lower operating capex:** €109mn in 2014, €110mn in 2013, vs. €190mn in 2012
- **Asset divestment programme:** €120mn in 2014

# Balance sheet ready to take on larger volumes

## A stronger balance sheet with better funding conditions

NFD trend y/y (€mn)



- ▶ **Organic reduction<sup>1</sup> in NFD (-79% y/y) with growing activity volume (MWe +34% y/y)**
- ▶ **Increase in capital (c.10%) to adapt the balance sheet to a larger company and future growth**
- ▶ **Improvement in financial ratios**
  - NFD/EBITDA: -0.4x
- ▶ **Renegotiation of structural finance** to extend maturities and improve cost
  - No debt maturities in 2015-17
  - €750mn syndicated loan repayable in 2019
  - €460mn EIB loan repayable in 2018-20

1. NFD reduction excluding proceeds from the capital increase  
 2. EBITDA LTM, excluding non-recurring items

# The "2015 vision" was achieved in 2014, and dividends have resumed

	2014 Guidance	2014		2015 Vision <sup>6</sup>	
Volume (MWe)	2,200-2,400	2,623	✓	2,200-2,400	✓
EBIT margin	>6%	6,7%	✓		
EBIT margin at constant exchange rates <sup>1</sup>	>7%	7.2% <sup>1</sup> (8.3% <sup>2</sup> )	✓	8%-10%	✓
WC/sales	<10%	2.5%	✓	<15%	✓
Capex (€mn)	<110	109	✓	<150	✓
NFD/EBITDA <sup>2</sup>	<1.5x/0.9x <sup>3</sup>	-0.4x	✓	<2x	✓
<b>Net free cash flow (€mn)</b>	<b>&gt;0</b>	<b>330<sup>4</sup></b>	<b>✓</b>	<b>&gt;0</b>	<b>✓</b>
<b>ROCE<sup>5</sup></b>	<b>8.5%-10%</b>	<b>11,1%</b>	<b>✓</b>	<b>WACC +2%</b>	<b>✓</b>

## Resuming dividend payments with a 25% payout<sup>7</sup>

1. EBIT margin at 2013 average exchange rates
2. EBIT margin at October 2012 exchange rates
3. Pro-forma guidance including the capital increase
4. Operating free cash flow (excluding the impact of the capital increase) including €120mn from divestments of non-operating assets; €212mn net operating cash flow
5. ROCE with EBIT net of taxes (marginal rate for the corresponding period)
6. Vision 2015 as presented in the Business Plan 2013-2015 in October 2012
7. Percentage of net profit to be distributed as dividends subject to prior approval from the General Shareholders Meeting



# January-December and KPIs

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# Consolidated group - Key figures

€mn	2013	2014	Chg. %	Q4 2014	Chg. %
Revenues	2,336	<b>2,846</b>	+21.9%	904	+32.7%
MWe	1,953	<b>2,623</b>	+34.3%	791	+43.8%
O&M revenues	365	<b>435</b>	+19.2%	113	+16.9%
EBIT <sup>1</sup>	129	<b>191</b>	+48.1%	67	+97.6%
EBIT margin	5.5%	<b>6.7%</b>	+1.2 p.p.	7.4%	+2.4 p.p.
O&M EBIT margin	11.7%	<b>12.7%</b>	+1.1 p.p.	16.6%	+7.6 p.p.
Net profit <sup>1</sup>	51	<b>101</b>	2.0x	37	2.4x
Working capital	193	<b>71</b>	-63.1%	71	-63.1%
WC/Revenues	8.3%	<b>2.5%</b>	-5.8 p.p.	2.5%	-5.8 p.p.
Capex	110	<b>109</b>	-1.3%	31	-12.4%
NFD <sup>3</sup>	420	<b>-143</b>	-133.9%	-143	-133.9%
NFD/EBITDA	1.5x	<b>-0.4x</b>	-1.8x	-0.4x	-1.8x

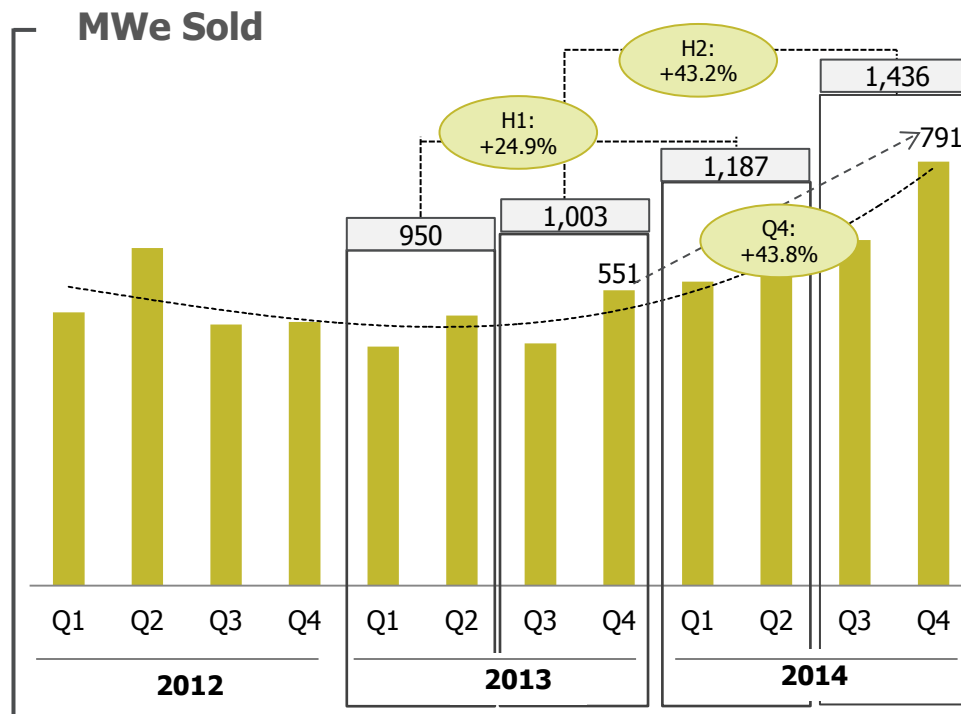
1. EBIT and net profit excluding non-recurring items amounting to €5.6mn in 2013 and €9,4 mn in 2014

2. NFD/EBITDA LTM ratio calculated by excluding non-recurring items (amounting to €3.4mn in 2013 and €1.6mn in 2014)

3. NFD excluding the equity issue would have amounted to €90mn, i.e. 79% less than at December 2013. The NFD/EBITDA ratio would have been 0.2x, down 1.3 points on December 2013

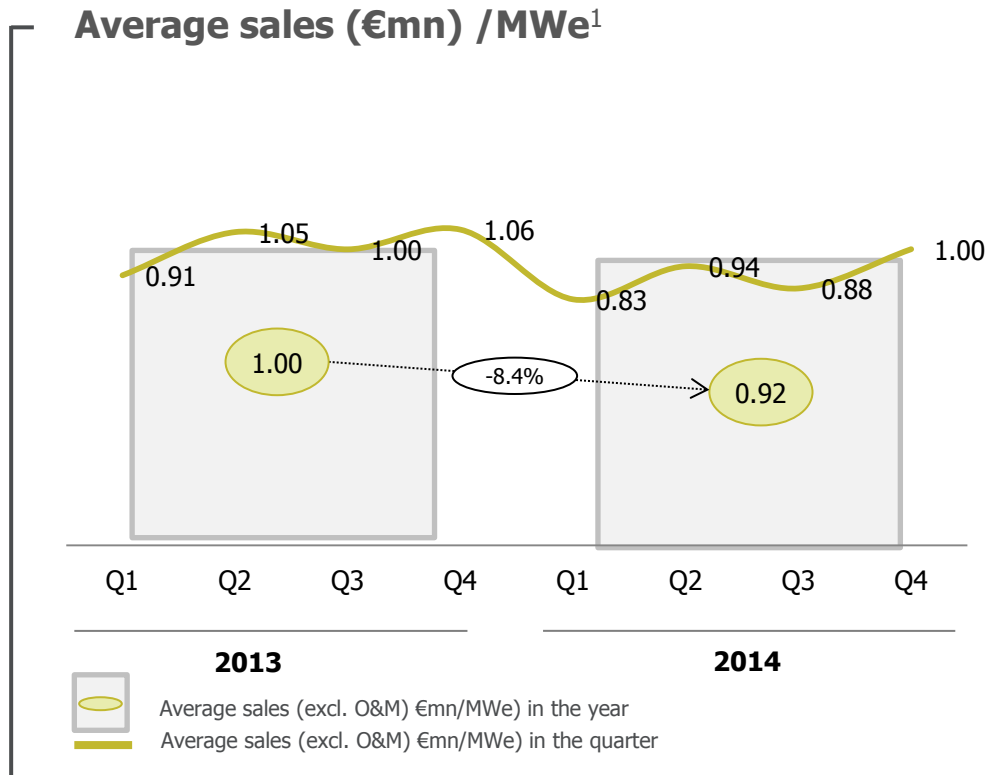
# Activity. Wind turbines

Activity volume firmly above target: 2,623 MWe, +34% y/y, in line with new growth prospects



# Activity. Wind turbines

**Sales (€/MWe<sup>1</sup>) reflect the different region, currency and project scope mix, while prices are stable at regional level**



- ▶ **Prices stable at regional level**
- ▶ **Year-on-year performance (-8.4% y/y) shaped by:**
  - Currency depreciation (-)
  - Different geographic mix (-)
  - Lower volume of installation and civil engineering work (-)
  - Lower sales of wind farms (-)
- ▶ **Sequential recovery in 4Q (+13.6% q/q) due to:**
  - Currency appreciation (+)
  - Higher volume of installation and civil engineering work (+)
  - Different geographic mix (-)

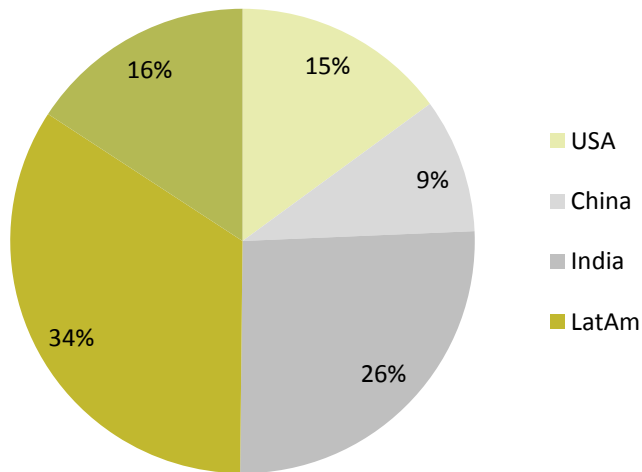
1. Revenues/MWe excluding O&M services

# Activity. Wind turbines

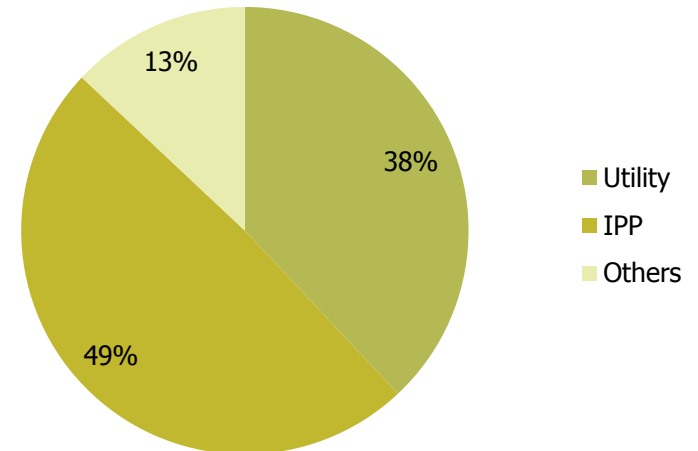
## Sales diversification (country/customer), focusing on growth markets

- ✓ Over 31,6 GW installed in 46 countries
- ✓ Relations with over 200 customers (utilities, IPPs, financial investors and self-providers)
- ✓ Activity in 21 countries and order entry from 23 countries in 2014

### Breakdown of MWe sold, by geography



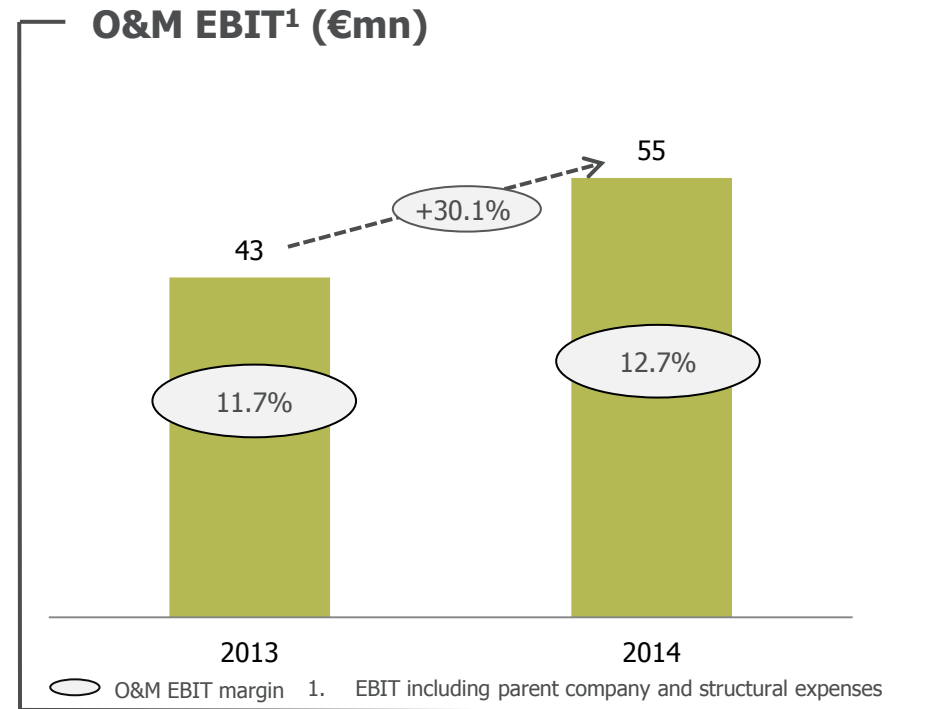
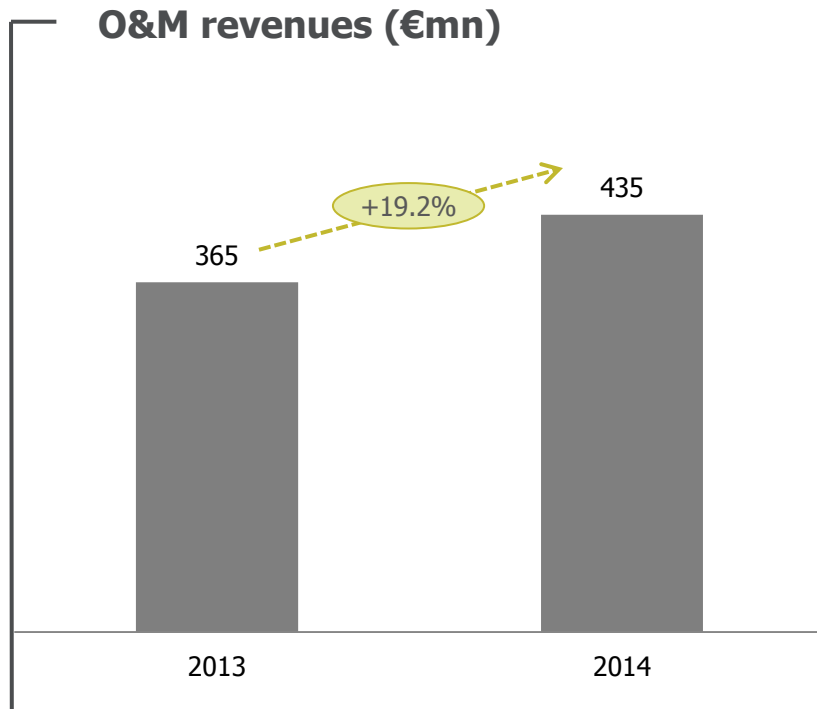
### Breakdown of MWe sold, by customer type



- Largest concentration of sales in a single account <8% of sales

# Activity. Operation and maintenance

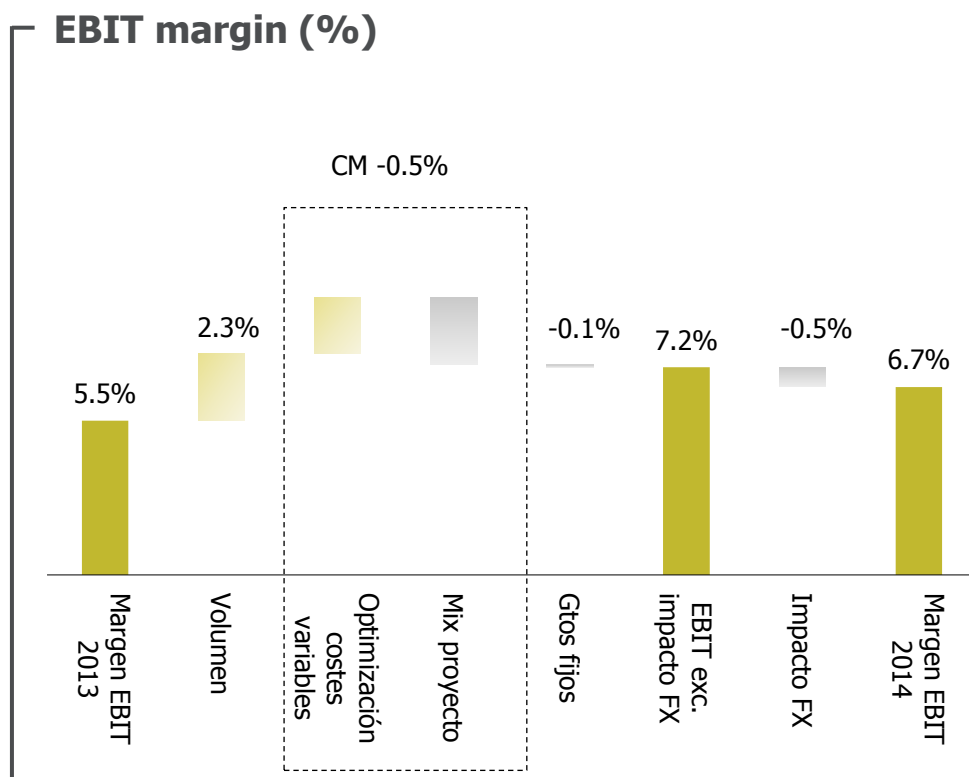
**Sustained growth in services revenues (+19% y/y), with double-digit margins aligned with the BP 2013-15 target**



- Continuous growth in average post-warranty fleet under maintenance: +14% y/y
  - 77% post-warranty renewal rate (7 p.p. above 2013)
- Increasing scope of new contracts: 93% of new contract in Full & Risk
- Service order backlog at December 2014: c.€1,800 mn

# Profitability - EBIT

Rising volumes, an optimised structure and continuous improvement of variable costs are the main factors that drove the improvement in EBIT margin in 2014



## Levers for improving the margin aligned with 2014 projections

- ▶ Strong impact of the **recovery in volume**
- ▶ **Variable cost optimisation programmes**
  - Since launch, the 9/15 programme has had a 12,6% impact on variable costs

## Partly offset by:

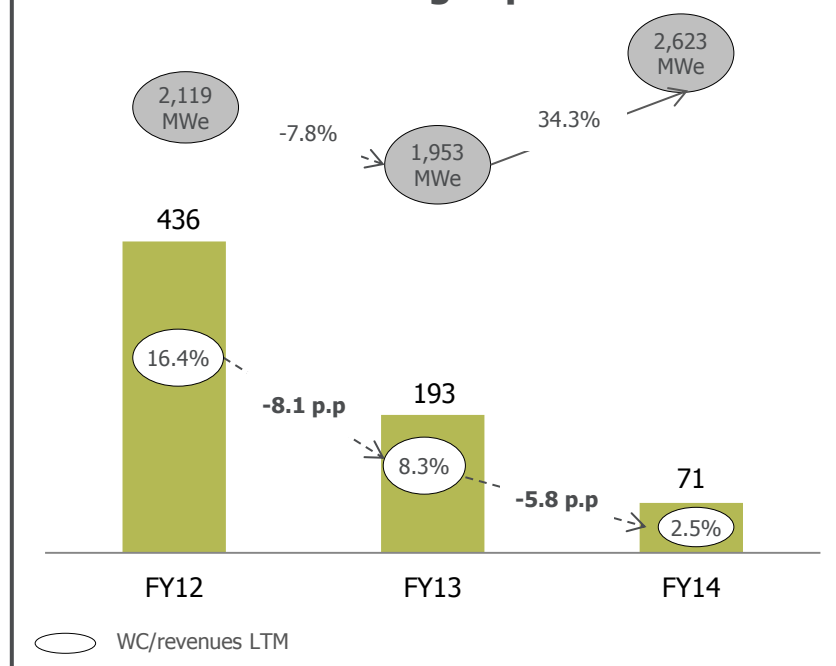
- ▶ **Project mix**
- ▶ **FX effect**

1. EBIT margin 2013 excludes impact of non-recurring provisions (€5.6mn). EBIT margin 2014 excludes non-recurring items amounting to €9.4mn

# Working capital

€365mn in working capital released since the BP13-15 was launched, in a context of rising activity (2014 vs. 2012)

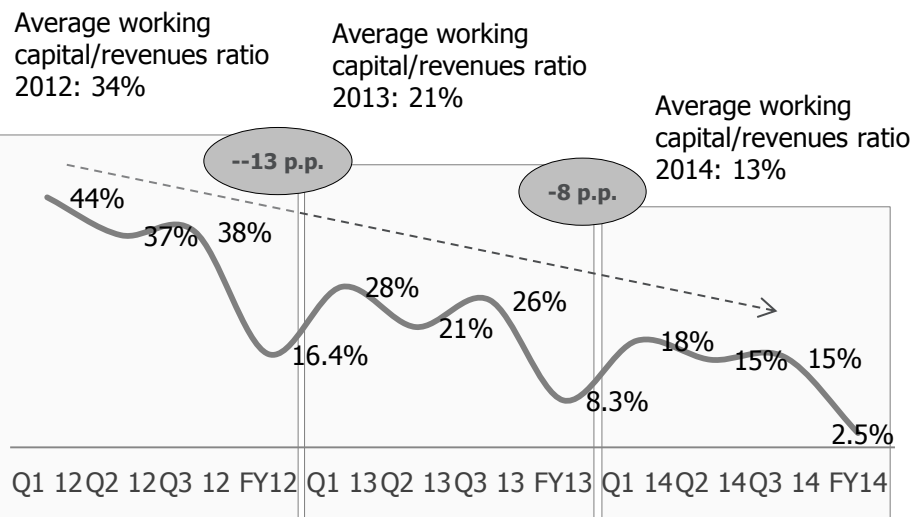
## Reduction in working capital



**Control of working capital in a context of rising production** as a result of measures in the BP13-15:

- Control of capex in wind farms, and monetisation of operational assets (€75.5 mn since 2012)
- Project planning in line with cash flows
- Alignment of manufacturing with deliveries and receipts
- Working capital excl. development pipeline c. €0mn

## Working capital/revenues<sup>1</sup> aligned with 2014 target



**Working capital performance outstripped the 2014 target (<10% of revenues) and 2015 vision (<15%)**

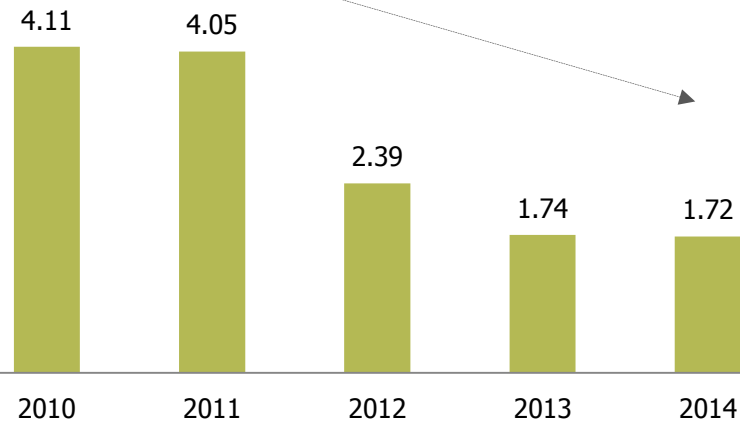
- Reduction in average working capital since the plan was launched
- Improvement in ratios of inventories and receivables to revenues

1. Working capital / actual sales ratio

# Safety and health indicators

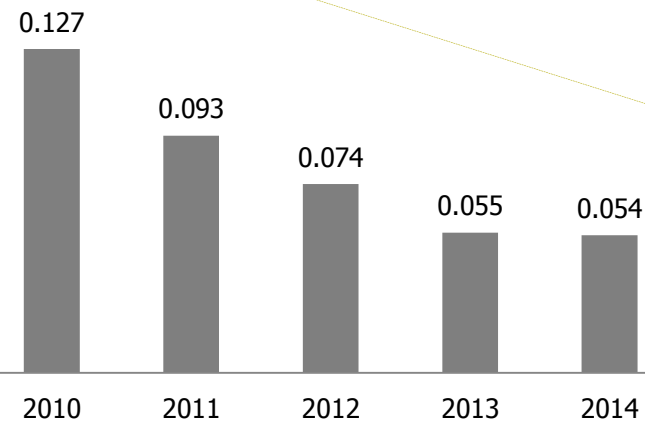
**Safety indexes in line with targets, in terms of severity and frequency**

### Frequency index<sup>1</sup>



<sup>1</sup> Frequency index: No. of accidents with days lost \* 10<sup>6</sup>/No. of hours worked

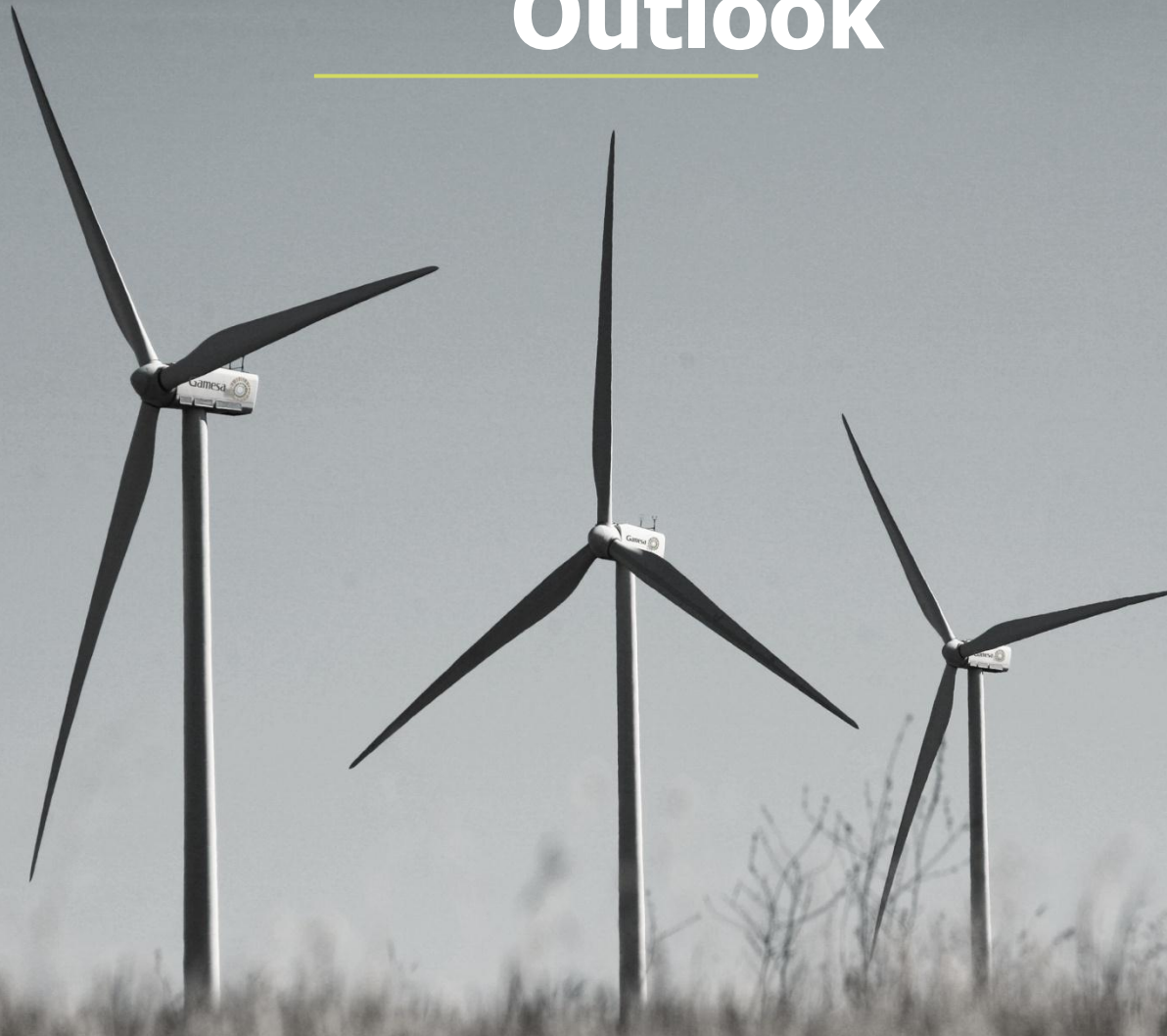
### Severity index<sup>2</sup>



<sup>2</sup> Severity index: No. of days lost \* 10<sup>3</sup>/No. of hours worked

# Outlook

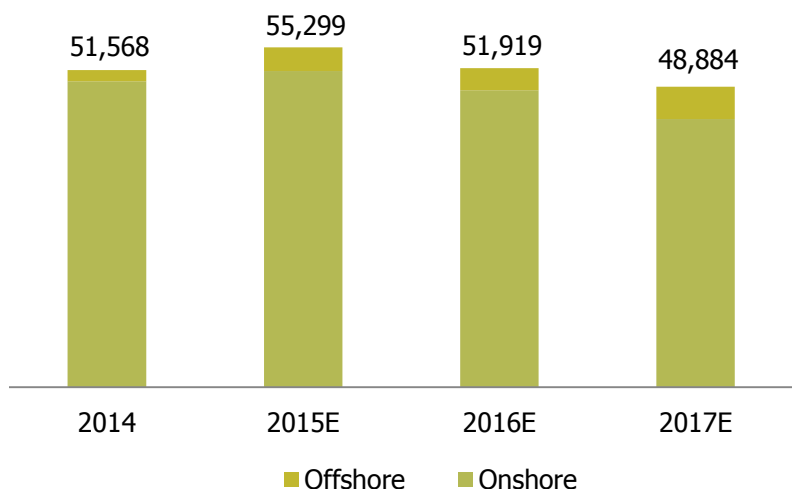
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# Good outlook for future demand

## Sustained prospects for additional growth for Gamesa in the short, medium and long term

### Demand drivers (GW)



### Demand projections 2014-2018E

- ✓ Growth in 2015, sustained by
  - **Strength in China, India, Brazil and Mexico, which will contribute c.50% of the total onshore market in 2015**
  - **Extension of PTCs in the USA**, where the pace of installations will be maintained in 2016.
- ✓ **Slowing demand in 2016-17** due to the slower pace of onshore and offshore installations in **Europe and the US in 2017**
- ✓ Accelerating **growth in offshore starting in 2017**
- ✓ **Growth beyond 2018** sustained by demand for renewable energy and the increasing competitiveness of wind

Source 2015-17: Gamesa for onshore installations and average of the projections by MAKE, BTM and BNEF for offshore.

Source 2014; GWEC

# Supported by greater regulatory visibility

## Government support and regulatory measures introduced in 2014 improve visibility and favour future investment

### Multinational agreements advancing towards setting new renewable targets

- EU Framework on Climate and Energy for 2030
- US-China bilateral agreement to reduce CO2 emissions
- COP 20 meeting to replace the Kyoto protocol after 2020

### Reduction in regulatory uncertainty in Europe

- Germany's Renewable Energy Reform Law sets targets for renewable energy contribution of 45% in 2025 and 55-60% in 2035
- French Law on the new energy model, setting contribution targets for renewables of 40% in 2030
- The UK Department of Energy & Climate Change has published a framework for CFD assignments and the round one outcome

### Extension of incentives in the US

- PTCs extended temporarily until December 2014.
- The Environmental Protection Agency (EPA) proposes that renewables contribute 13% by 2030

# Supported by greater regulatory visibility

**Growing economies introduce new targets and incentives to support the development of renewable energy as a mechanism for meeting rising energy demand and reducing energy dependency**

## **New legislation introduced in India**

- Re-introduction of accelerated depreciation in calculating the tax base of capital expenditure on wind projects (up to 80% of the value in one year)
- Extension of tax holidays for wind power generation until March 2017 (100% tax benefit over 10 years)
- Tax credit (15%) for capital expenditure (>INR 250mn) for manufacturers extended until March 2017
- Lower tax on component imports

## **China draws up 2016-20 plan**

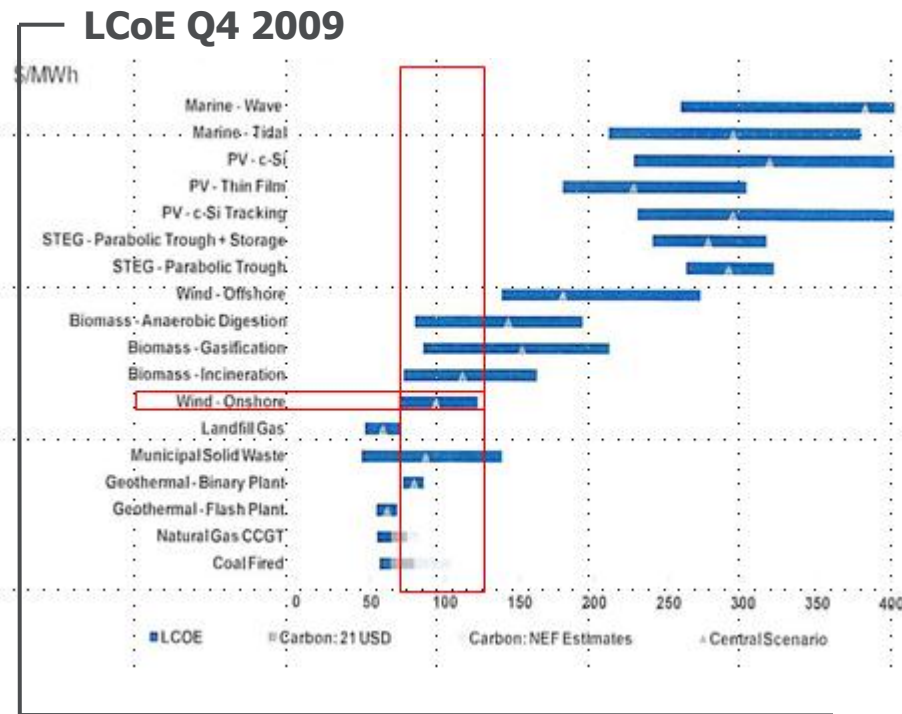
- 20 GW/year in onshore installations with the goal of achieving a total of 200 GW by 2020
- 10 GW offshore in 2020

## **Renewable auction (production/capacity):** Brazil, Egypt, South Africa, Chile, Guatemala...

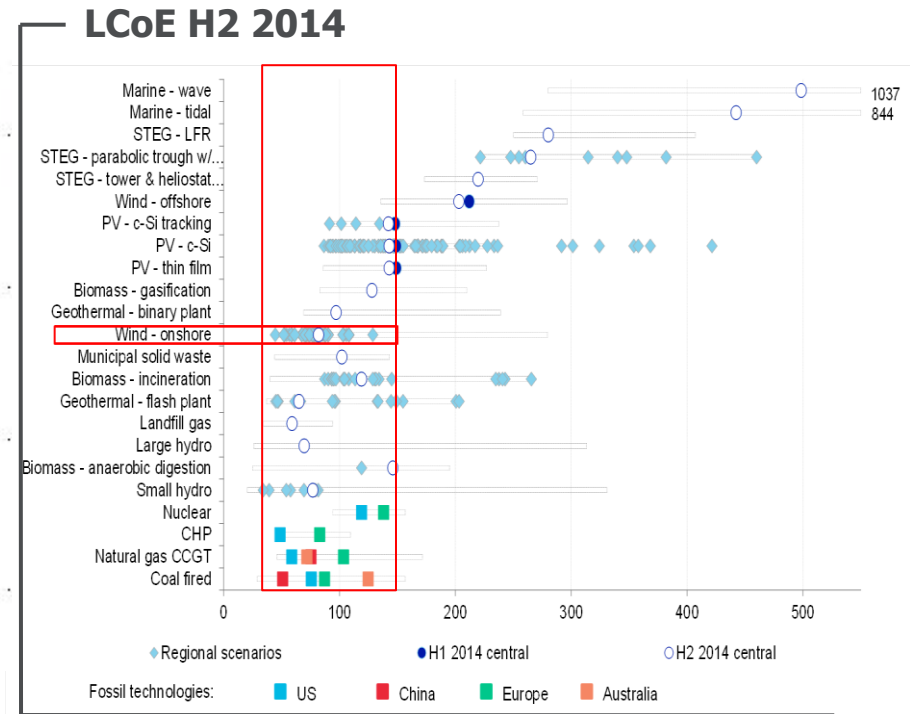
- Brazil: assigned for 2,246 MW of wind projects in 2014, with auctions announced for April and June 2015
- Egypt: announcement of a 220 MW auction in December 2013 and planning to launch new auction for up to 2 GW of wind capacity from 2014 onwards. Approval of the wind and solar tariff regime

# And a constant improvement of wind's competitiveness

Competitive with fossil fuels in many markets



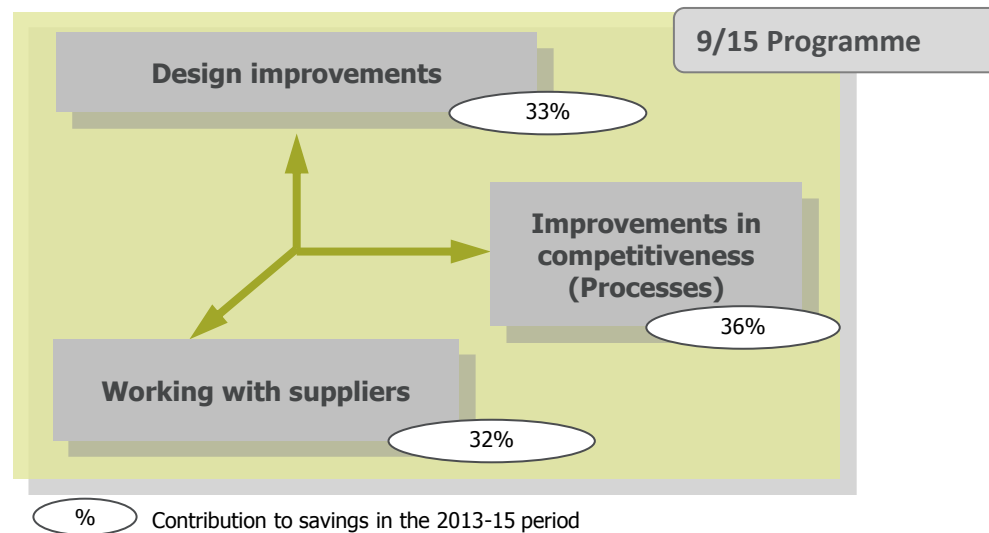
Source: Bloomberg New Energy Finance



Source: Bloomberg New Energy Finance

# Combined with ongoing cost optimisation

Programmes of continuous cost improvement focused on competitiveness open the door to new growth opportunities, leading to increasing profitability in the future

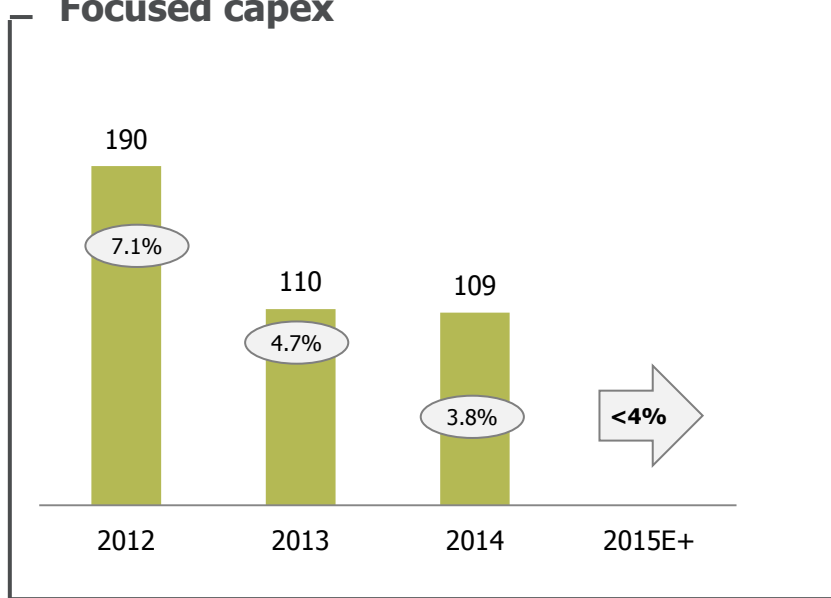


## Offsetting

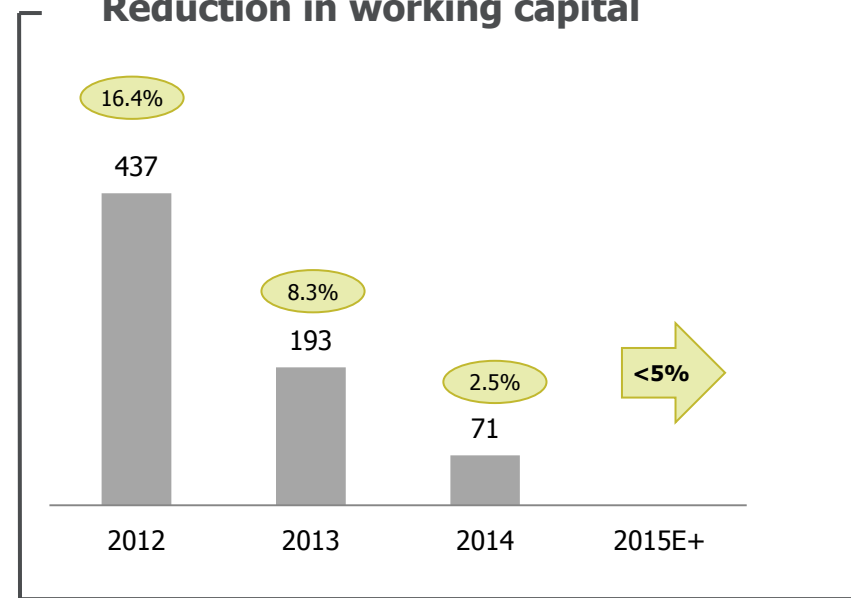
- Learning curve for the G114 2.5 MW and G106 2.5 MW
- Lower relative contribution by O&M to sales mix
- Access to new markets and to additional demand from growing economies
- Lower penetration of multi-MW machines in Europe

# And effective balance sheet management

## Focused capex






## Reduction in working capital



- **Improving the target capex<sup>1</sup>/revenues ratio: from 4.75% in BP 13-15 to <4% after 2015**
  - Investment in internal and external capacity
    - New product lines
    - Demand growth: Brazil and India
  - R&D spending focused on constantly reducing the CoE (WTG and O&M)
    - New products on established platforms

- **Improving the working capital/revenues target: from <15% in BP 13-15 to <5% after 2015**
  - Project management focused on cash flow
  - Manufacturing to cash
  - Investment in pipeline/land bank where the business model is a distinctive feature: India and Mexico

# Provides enhanced value creation prospects: 2015 guidance

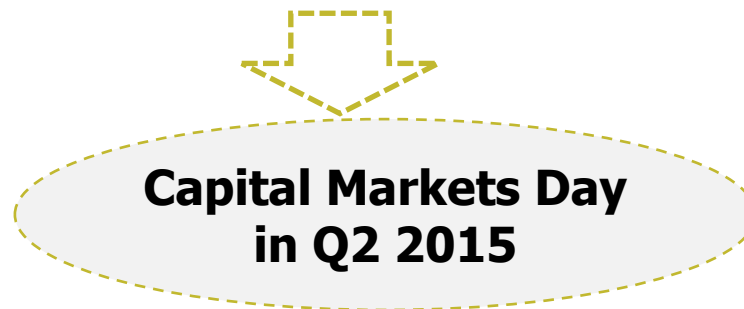
2015 Guidance			
Volume (MWe)	2,800-3,100		<b>Additional profitable growth</b>
Revenues (€mn)	3,150-3,400		
EBIT margin @ average YTD 2015 FX	≥8%		
WC/sales	<5%		<b>With a significant reduction in capital consumption</b>
Capex/revenues	≤4%		
Long-term NFD/EBITDA	<1.5x		
<b>ROCE</b>	<b>≥WACC +4%</b>		<b>Enhancing capacity to create value</b>
Dividend policy: Payout <sup>1</sup>	25%		<b>Resuming dividends</b>

- ✓ **Growth** supported by order book at year-end and projections for commercial activity in 2015
- ✓ Coverage at December 2014: 64%
- ✓ Positive exchange rate impact on sale prices (€/MWe), partially offset by the higher contribution by China and India in 2015
- ✓ **EBIT margin** @ average YTD 2015 exchange rates
  - ✓ EBIT margin sensitivity to exchange rates in 2015: +/- 0.5 p.p.
  - ✓ Lower currency impact due to greater localization and dynamic hedging
- ✓ **Debt/cash position in the balance sheet** depends on new investment opportunities
  - ✓ While maintaining NFD/EBITDA ratio: <1.5x
- ✓ **Dividend policy** subject to approval from the General Shareholders Meeting

1. Payout subject to prior approval from the General Shareholders Meeting

# And proposing a better medium-term vision for Gamesa

- ▶ **Priority: a flexible structure** that can handle cycle trough and peak
  - Operating break-even point: 1,300 MWe
  - Ready for an activity level >3,500 MWe
- ▶ Achieving greater **profitable growth** due to
  - Competitive positioning (geography, product and value chain)
  - Continuous cost optimization targeting competitiveness across all geographies
- ▶ **Strict control of investment**
  - Capex and working capital
- ▶ **Solid balance sheet**, making it possible to
  - Maintain **dividend policy**
    - **Payout<sup>1</sup>: 25%**
  - Explore **investment opportunities on the condition that ROCE > WACC**



1. Payout subject to prior approval from the General Shareholders Meeting

A low-angle, upward-looking photograph of a white wind turbine. The tower and nacelle are visible, with three long, slender blades extending outwards. The background is a clear, bright blue sky. The word "Conclusions" is overlaid in white text on the right side of the image, underlined with a thin yellow line.

# Conclusions

# Targets surpassed, vision achieved early, prospects enhanced

## ▶ **Sound management**

- Leading to exceed targets for 2014 and achieve the 2015 vision ahead of time

## ▶ **Strong commercial activity**

- Order intake of 3.3 GW (1.6 times the 2013 figure) and order book of 2.5 GW (+58% y/y)

## ▶ **Rising profitability (EBIT +48% y/y)**

- EBIT Margin: 6.7% (7.2%@FX2013)

## ▶ **Greater capacity to generate cash (€330mn)**

- Asset disposal programme: €120mn
- Working capital/revenues: 2.5%

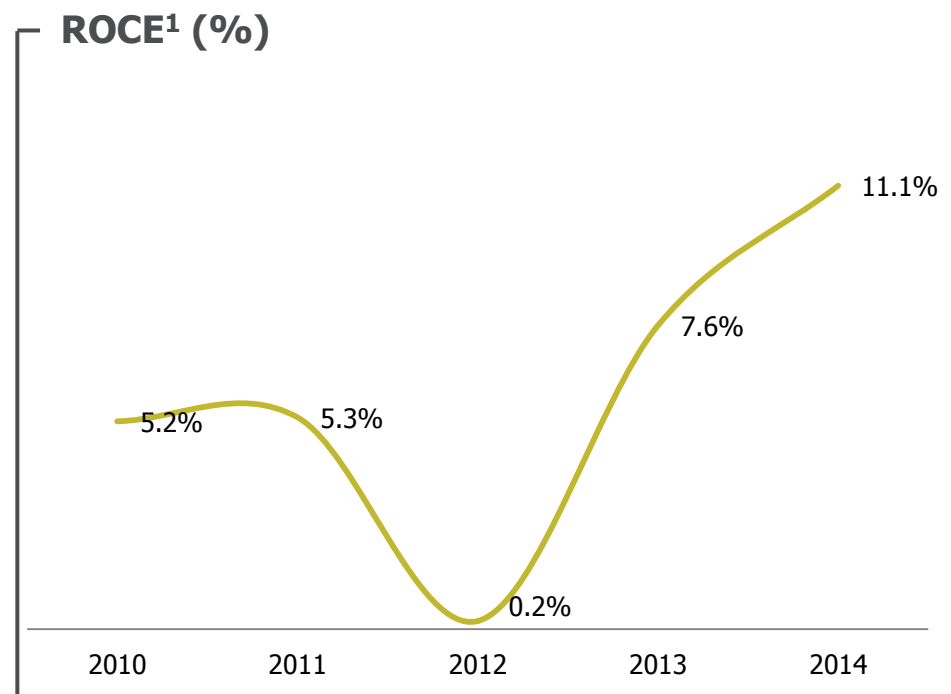
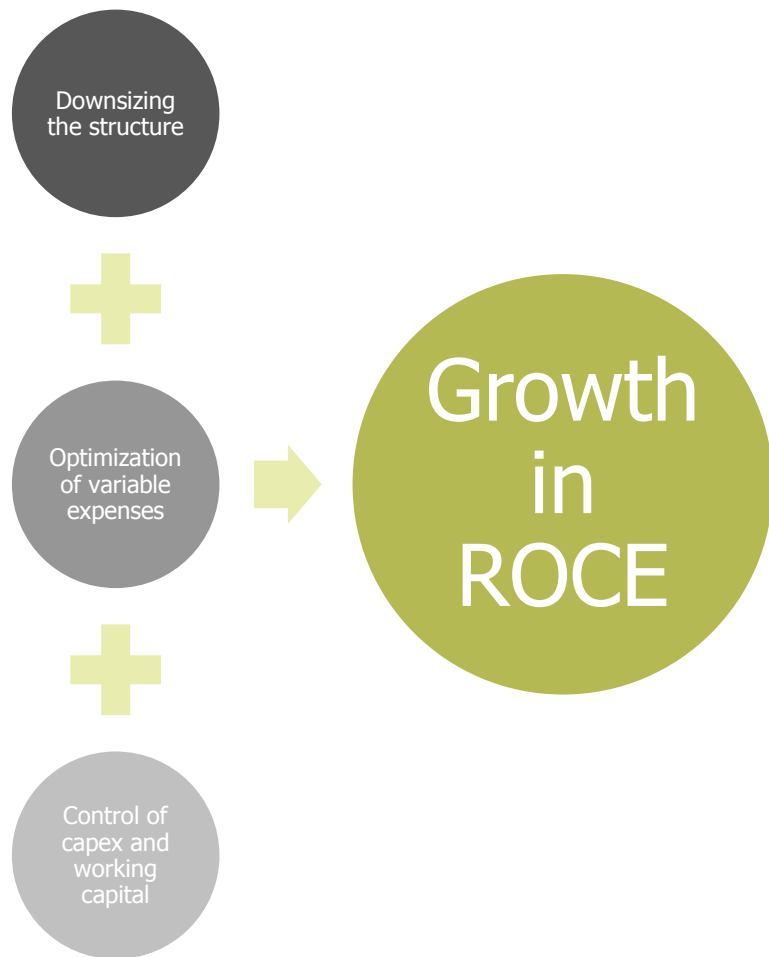
## ▶ **The company is ready for a higher volume of activity**

- Net cash: €143mn

## ▶ **Confirmation of growth in activity and future profitability**

- Capital Markets Day in Q2 2015

# Creating value once again



1. ROCE with EBIT net of taxes (marginal rate for the corresponding period)

# Aligned with the main international codes of business ethics

Committed to respecting human rights and the environment



Red Pacto Mundial España  
WE SUPPORT



WE SUPPORT  
Caring for Climate



We form part of the main sustainability and corporate responsibility indices



**S&P Global Clean Energy Index**

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# Q&A

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**Muchas Gracias**

**Obrigado**

**Thank you**

**谢谢！**

**धन्यवाद**

Gamesa

