Gamesa

ACTIVITY REPORT

25 February 2015

January-December 2014 Results

1. Evolution of the company in the year

2014 OBJECTIVES: SURPASSED; 2015 VISION: ACHIEVED AHEAD OF SCHEDULE; PROSPECTS FOR VALUE CREATION: IMPROVED

GAMESA Corporación Tecnológica[1] regained sales growth in 2014 while steadily increasing profitability, enhancing cash flow and strengthening its balance sheet. Commercial activity firmed up, with 3,315 MW order intake, i.e. 58% more than in 2013, while the order book totalled 2,494 MW at year-end, 38% more than at the end of 2013. Revenues in 2014 amounted to €2,846 million, 22% more than in 2013, and EBIT totalled €191 million[2], a 48% increase year-on-year, while the EBIT margin was 6.7%[2], over one percentage point higher than in 2013. At constant exchange rates, revenues in 2014 expanded by 25%[3] y/y, and the EBIT margin was 7.2%[3], i.e. almost 2 percentage points higher than in 2013. In addition to improved profitability and growth in sales, GAMESA continues to optimise working capital, which, combined with focused capex, enabled it to reduce debt organically by 79% y/y[4] and end the year with a net cash position of €143 million, after increasing capital by approximately 10%.

Main consolidated figures for 2014

- **Revenues:** €2,846 million (+21.9% y/y)
- **EBIT[2]**: €191 million (+48.1% y/y)
- **Net Income[2]:** €101 million (2x y/y)
- **Net cash on the balance sheet:** €143 million (-0.4x EBITDA)
- **MWe sold:** 2,623 (+34.3% y/y)
- **Firm order intake:** 3,315 MW (+58% vs. 2013)

GAMESA Corporación Tecnológica ended 2014 with revenues of €2,846 million, a 22% increase over 2013, due to growth in the company's two areas of activity: wind turbine manufacturing and O&M services. The Wind Turbine division obtained €2,411 million in revenues in 2014, i.e. 22.3% more than in 2013, supported by strong growth in activity partially offset by the depreciation of the Indian rupee and the Brazilian real, the change in the geographic and project mix and, in particular, the recovery of sales in China, where the product scope is different[5]. **Activity volume amounted to 2,623 MWe, 34.3% more than in 2013 (1,953 MWe)**, due to the strong contribution by the Indian and Brazilian markets to group sales, the recovery in the US and China, and the contribution of emerging markets, such as the Philippines, Turkey and Sri Lanka. Growth in those markets was offset by the lower contribution to sales by Europe and RoW, although they improved in the second half of the year.

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[1] Gamesa Corporación Tecnológica includes wind turbine manufacturing and O&M services. The wind farm development, construction and sale business is classified as part of the wind turbine generator manufacturing business.

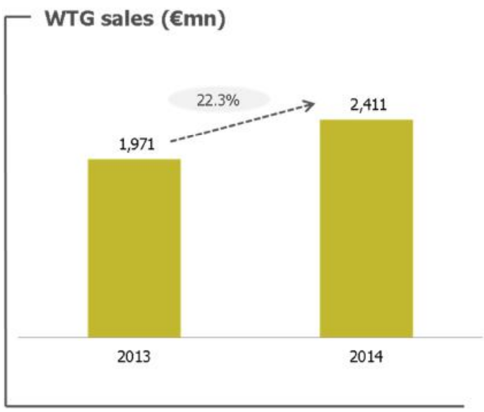
[2] EBIT, EBIT margin and net profit excluding non-recurring items amounting to €9.4 million in 2014. Variations with respect to the 2013 numbers are calculated by excluding non-recurring items amounting to €5.6 million in 2013.

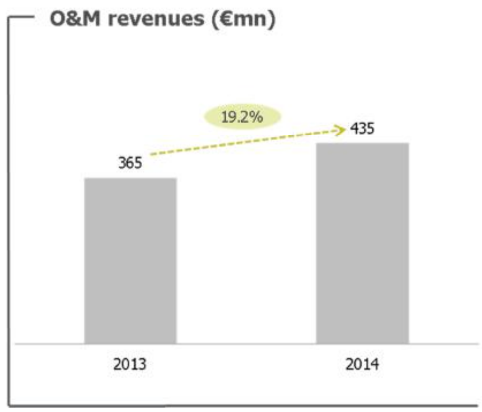
[3] At the 2013 average exchange rate.

[4] Year-on-year reduction in net financial debt excluding the cash inflow from the capital increase.

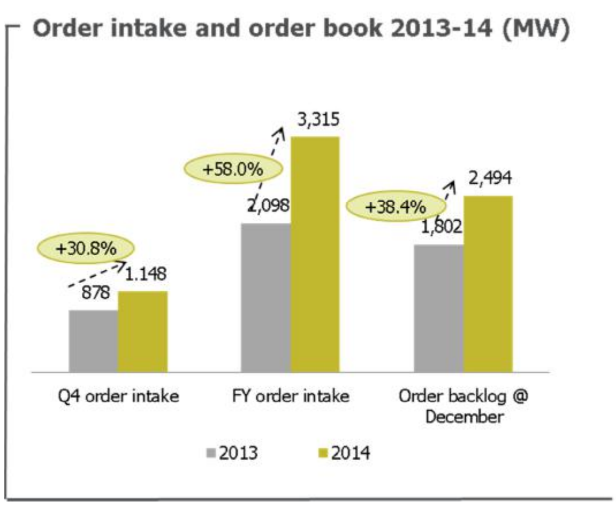
[5] Wind turbine sales contracts in China exclude the tower.

Revenues from O&M services totalled €435 million, i.e. 19.2% higher than in 2013, supported by 14% growth in the post-warranty fleet under maintenance compared with 2013.



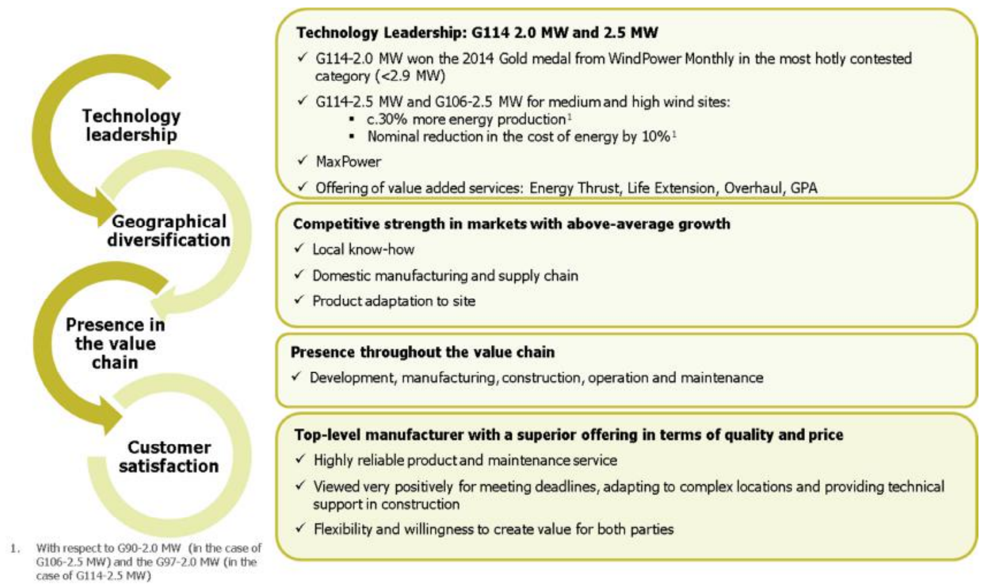


This increase in activity volume and revenues is in line with growth in global demand following the decline in 2013. The recovery in demand, driven in large part by the US market, was also supported by double-digit growth in emerging wind markets such as India, Brazil and Mexico; GAMESA has a strong position in all three. The sound sales positioning, supported not only by a diversified geographic presence but also by an extensive customer base and a portfolio of products and services aimed at maximising the return on wind assets, and a presence throughout the wind value chain enabled the company to sign orders for **1,148 MW[6] in the fourth quarter of 2014 (30.8% more than in Q4 2013), which raised total order intake in 2014 to 3,315 MW, 58% higher than in 2013 and twice the 2012 figure.** As a result, GAMESA ended 2014 with an order book totalling 2,494 MW, 38.4% higher than at 2013 year-end, **which covers 64%[7] of the sales guidance for 2015** and enhances medium-term visibility of sales.



[6] Firm orders and confirmation of framework agreements for delivery in the current and subsequent years. Includes firm orders signed in Q4 2014 (714 MW) that were published individually in Q1 2015.
[7] Coverage based on 2015 guidance (2,800-3,100 MWe).

Of the four pillars upon which GAMESA has built its commercial strength, progress in technology leadership during the last two years was one of the top factors quoted in the biannual customer satisfaction survey. This leading position was corroborated by WindPower Monthly magazine, which gave the G114-2.0 MW turbine the gold medal in the <2.9 MW category, the category that is most hotly contested since it is where the bulk of demand is concentrated.



GAMESA's greater activity volume, supported by a leaner fixed cost structure than at the beginning of the Business Plan 2013-2015, led to a material increase in operating profitability in 2014. Together with rising volumes, the continuous optimisation of variable costs enabled the company to partly offset the decline in the margin caused by the different project mix and the impact of the devaluation of the Indian rupee and the Brazilian real. **In this way, GAMESA accelerated the improvement in profitability ratios throughout 2014**, obtaining a recurring EBIT margin of 7.4% in the fourth quarter of 2014, i.e. over 2 percentage point higher than in the same period of 2013, which represents 97% year-on-year growth. As a result, **EBIT amounted to €191 million in the full year,[8] with the EBIT margin amounted to 6.7%[8], exceeding the guidance for 2014 (>6%). At constant exchange rates, GAMESA obtained an EBIT margin of 7.2%[9], i.e. almost 2 percentage points more than in 2013 (5.5%[8])**.

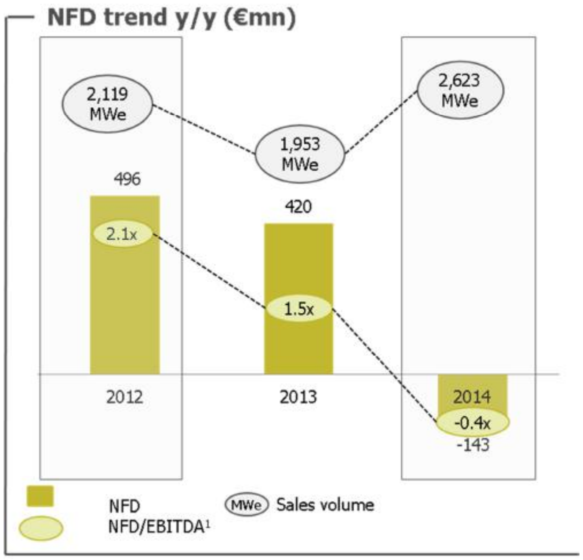
Solid growth in volume and O&M revenues combined with higher business profitability and the decline in exchange losses and in losses from certain investees, partially offset by the increase in the tax burden, resulted in **GAMESA doubling net profit to €101 million in 2014.**

[8] EBIT and EBIT margin excluding non-recurring items amounting to €9,4 Million in FY2014, all in Q4 2014
[9] At the 2013 average exchange rate.

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

During the year, GAMESA continued working to strengthen its financial position, reducing debt not only by expanding sales and improving operating profitability but also through strict control of capital expenditure in both property, plant and equipment and R&D, and of working capital. GAMESA reduced working capital by 63% y/y in the context of rising activity (+34% y/y) and, and improved the working capital/revenues ratio by 5.8 percentage points to 2.5% at the end of 2014. Profitable growth, optimized working capital and focused capital expenditure (which declined slightly y/y to €109 million) enables GAMESA to reduce debt in organic terms by 79% y/y.

Aside from organic debt reduction and with a commercial activity that positions the company for higher volumes than those envisaged in the BP 13-15, in September 2014 GAMESA **increased capital by issuing 25,388,070 new shares, equivalent to c.10% of existing capital**, in order to prepare the balance sheet for the projected higher future activity. **As a result, two years after the 2013-15 Business Plan was launched, GAMESA's net cash position at 2014 year-end amounted to €143 million and its net financial debt/EBITDA ratio was -0.4x.**



1. EBITDA LTM, excluding non-recurring items

Faster-than-expected sales growth due to strong commercial activity, rising profitability and the reduction in debt enabled GAMESA not only to exceed its targets for 2014 but also to achieve the 2015 vision ahead of schedule. In particular, capital has been managed efficiently since the plan commenced, and working capital has been reduced by €365 million in the context of rising activity, while focusing capital expenditure has enabled this item to be cut from €190 million in 2012 (7.1% of revenues) €109[10] million in 2014 (3.8% of revenues) at the same time as the company has launched new products to fulfil the goal of optimizing the cost of energy.

	2014	2014 Objectives		2015 Vision (4)	
MWe	2,623	2,200-2,400	✓	2,200-2,400	✓
EBIT margin	6.7%	>6%	✓		
EBIT margin at constant exchange rates	7.2%(1)-8.3%(2)	>7%	✓	8%-10%	✓
Working capital/revenues	2.5%	<10%	✓	<15%	✓
Capex (€ Million)	109	<110	✓	<150	✓
NFD/EBITDA	-0.4x	<1.5x/0.9x	✓	<2.0x	✓
FCF (€ Million)	330(3)	>0	✓	<0	✓
ROCE	11,1%	8,5%-10%	✓	WACC+2%	✓

(1) At the 2013 average exchange rate
(2) At the October 2012 exchange rate

Besides meeting the 2015 vision a year ahead of schedule, the results allow GAMESA to reinstate the dividend payment subject to the prior approval from the General Shareholders Meeting, with a payout ratio of 25%, subject to prior approval from the General Shareholder Meeting.

10 Capex does not include investments in R&D windfarms (€2 Million in 2014)
11 Change in debt without considering the inflow of funds from the capital increase
12 Subject to approval of the General Meeting of Shareholders

Main factors

Consolidated results - 2014

The 2014 year-end results put GAMESA above its guidance for volume, margins and balance sheet strength. These results reflect the success of the actions implemented under the Business Plan 2013-2015:

- Activity: 2,623 MWe sold, i.e. above the target of 2,200-2,400 MWe
- Results: recurring consolidated EBIT margin of 6.7%(2), higher than the target of > 6%
- Sound finances: a net interest-bearing debt/EBITDA ratio of -0.4x for the consolidated group was far below the guidance (< 1.5x).

(€ million)	**12M 2013 (1)**	**12M 2014 (2)**	*% Chg.*	*4Q 2014*
Revenues	2,336	2,846	*+22%*	*904*
Recurring EBITDA	288	366	27%	130
Recurring EBITDA/Revenues (%)	12.3%	12.9%	+0,5p.p.	14.4 %
Recurring EBIT	129	191	48%	67
Recurring EBIT/Revenues (%)	5.5%	6.7%	+1,2p.p.	7.4%
EBIT	123	181	+47%	58
EBIT/Revenues (%)	5.3%	6.4%	+1,1p.p.	6.4%
Recurring profit (Loss)	51	101	2,0x	37
Profit (Loss)	45	92	2,0x	27
NFD	420	-143	-563	-143

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

(2) Non-recurring net items in 2014: €9.4 million in EBIT and net profit

Activity

GAMESA sold 2,623 MW in 2014, 34% more in year-on-year terms. This growth was driven mainly by India (whose contribution increased by 26%) and Brazil (+22%). Likewise, growth in countries such as the US and China in 2014 (following the very small contribution in 2013) enabled GAMESA to beat its volume guidance (2,200-2,400 MWe).

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

GAMESA continued to expand in emerging markets:

- **Latin America+Southern Cone continues to be the region with the greatest contribution to sales (34%),** mainly because of Brazil and Mexico
- **India accounted for 26% of total sales in the year**, i.e. 4 percentage points higher than in 2013.
- **Following the decline in activity in the US and China in 2013, they began to make a notable contribution in 2014 (15% and 9%, respectively).**

Geographical breakdown of wind turbine sales (MWe) (%)	2013	2014
USA	2%	15%
China	2%	9%
India	22%	26%
Latin America	49%	34%
Europe and RoW	24%	16%
TOTAL	**100%**	**100%**

Moreover, the **GAMESA 2.0 MW segment accounted for 97% of MWe sold** in 2014, compared with 93% in 2013.

The Services business is progressing in line with expectations. At 2014 year-end, GAMESA had 20,770 MW under operation and maintenance, 4% more than at the end of 2013.

Profitability

Revenues amounted to €2,846 million in 2014, a 22% increase on 2013 (€2,336 million).

- Services revenues increased by 19%, to €435 million.
- Excluding services, sales expanded by 22% with respect to 2013, i.e. by less than the increase in MWe (+34%), due to the decline in average revenue per MWe, which was negatively impacted mainly by currency fluctuations, the higher exposure to China and India, and the greater contribution by GAMESA Energía in 2013.

GAMESA obtained €191 million in recurring consolidated EBIT in 2014 and an EBIT margin of 6.7% (compared with €129 million and 5.5%, respectively, in 2013).

The trend in recurring EBIT performance in 2014 with respect to 2013 was attributable to:

- higher sales volumes (+2.3 percentage points),
- fixed cost performance (-0.1 p.p.),
- contribution margin performance (-0.5 p.p.)
- currency depreciation (-0.5 p.p.)

The Operation & Maintenance unit continues to steadily increase revenues (+19% y/y). Additionally, this division has an EBIT margin of 12.7%, which is aligned with the double-digit target set in the Business Plan 2013-2015.

Consolidated net profit in 2014 (€92 million) was impacted by a net financial loss excluding income from equity accounted affiliates (-€46 million), taxes (-€38 million), and losses on discontinued operations (-€5 million). The company also booked a loss of -€7.8 million on Almodóvar del Río (booked under "Gains (losses) on disposal of non-current assets").

Balance sheet

GAMESA had €71 million in working capital at the end of 2014, i.e. 2.5% of revenues. This is a significant decline (-€122 million) with respect to 2013 (€193 million, 8.3% of revenues) despite the higher activity in the period.

GAMESA also continued to focus on strict control of capital expenditure, ensuring the return on investment and a sound balance sheet. As a result, **GAMESA's capital expenditure amounted to €109 million[11], in line with the guidance of < €110 million.** In 2014, GAMESA focused capital expenditure in 2014 on:

- R&D associated with new products and platforms (G114–2.0 MW and GAMESA 5.0 MW),
- adaptation of production capacity to the G114-2.0 MW and the GAMESA 5.0 MW

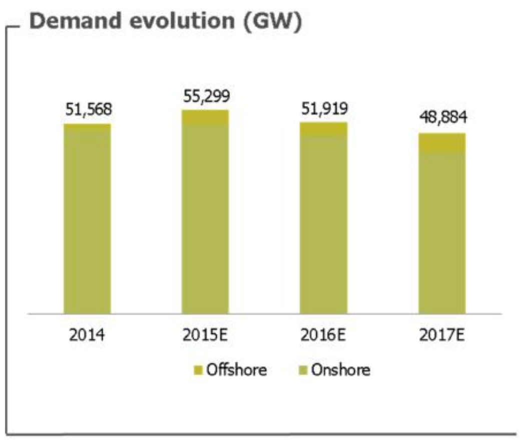
GAMESA ended the year with -€143 million in net interest-bearing debt (i.e. cash), i.e. less than in 2013 (€420 million). That cash figure includes €232 million, net of expenses, from the capital increase in the third quarter and c. €120 million from asset sales. Eliminating those effects, debt halved in 2014, declining by -€210 million in absolute terms.

13 Financial expenses exclude heading equity
14 CAPEX figure does not include investments linked to pilot parks (2 MM EUR in 2014)
15 Net cost of capital increase

2. Forecasted evolution

Good outlook for future demand

Demand increased sharply in 2014 (+46%) following the decline in 2013 (-22%) and GAMESA, together with the main consulting firms in the industry, project that growth will continue through 2015 year-end. This expansion is supported not only by the recovery in the US market but also by the accelerating pace of installations in growing economies such as India, Brazil, Mexico and China, and some European countries. The decline in onshore and offshore installations in Europa beyond 2015, and the expected decline of the US market after 2016 if the production and investment tax credits are not renewed explained the expected decline in global installations over the two year period, decline that returns back to growth un 2018.



Source 2015-17: Gamesa for onshore installations and average of the projections by MAKE, BTM and BNEF for offshore.
Source 2014; GWEC

The Americas, China and emerging countries are the main growth drivers in the immediate future

Projections for installations/connections to the grid in 2015 vary from 48GW[12] to 64GW. This volume of installations worldwide will be driven by the recovery in the US market that commenced in 2014 and will run until 2016, as well as **China and emerging markets, including notably Brazil, India and Mexico.** The latter four markets **account for almost 50% of projected onshore installations this year**.

Emerging countries and China partially offset the stagnant onshore market in Europe and the decline in the US market starting in 2017, in a scenario in which the production tax credits (PTC) are not renewed

The extension of the PTC in the US at the end of 2014 made it possible to upgrade demand projections for the markets for 2016 into line with those for 2015 (close to 8 GW), but uncertainty persists beyond 2016. Unless production/investment tax credits are extended again, installation volume in the US can be expected to fall by 50% in 2017. However, although several external sources that estimate demand consider a scenario where PTC are not extended or are delayed, at the moment there are no grounds for assuming either scenario.

16 Pace of installations and grid connections according to BTM (48 GW in 2015E), BNEF (64 GW) and MAKE (51 GW)

In Europe, the onshore segment is expected to stagnate as from 2015 due to normalisation of the pace of installations in Germany, following the acceleration in 2014 because of legislative changes, and to the progressive adaptation of demand in several markets to new regulations enacted or to be enacted in 2014-2015.

In this context of a slowdown in mature markets, growth continues in emerging countries, where GAMESA has a solid position among the three largest markets: India, Brazil and Mexico. Additionally, order entry has increased in China, a country which is expected to lead the pace of installations in the short, medium and long term. The company's advantage in terms of geographic positioning plays an important role in guaranteeing the sustainability of growth in volumes in the medium term.

The offshore market is expected to accelerate starting from 2017 onwards, coupled with a recovery in the onshore market in Europe, which will be driven by constant improvements in wind's competitiveness and a defined regulatory framework that puts an end to the uncertainties that have plagued the last three years, making it possible to take investment decisions. In fact, wind's greater competitiveness coupled with the new regulations governing energy in Europe will enable wind to play a prominent role in the open auctions expected to begin in Europe after 2017.

The recovery and growth in Europe's mature markets in the medium and long term will combine with steady growth in demand in emerging markets. This growth will be sustained by rising energy needs, in emerging markets, which will account for 90% of global energy demand growth through 2030, as set out in the International Energy Agency's 2013 World Energy Outlook, and by the need to reduce dependency on fossil fuels and to diversify generation sources to ensure supply stability.

Enhanced regulatory visibility and the constant improvement in wind's competitiveness will drive sustained demand growth over the medium and long term.

Improved regulatory visibility is one of the levers that support demand growth, not only in the medium and long term but also in the short term, where the extension of US tax credits for wind investment and production is a key driver behind the surge in the pace of installations in 2014-2016.

During 2014, supra-national agreements were reached that reflect the importance of setting targets for renewable power generation and greenhouse gas emission reductions, both of which are essential to combat the effects of climate change. They include the European Union's 2030 framework for climate and energy, the US-China bilateral agreement to control greenhouse gas emissions, and COP 20.

- The European Union's 2030 Framework for Climate and Energy establishes three goals to be achieved by 2030: a 40% reduction in greenhouse gas emissions with respect to the 1990 baseline, renewable energy contributing 27% of electricity consumption, and 27% energy efficiency. These overall targets at European Union level would be achieved by setting individual targets for the member states.
- The agreement between the US and China to reduce greenhouse gas emissions sets mutually agreed reduction targets for the first time. The US undertakes to reduce its emissions by 26-28% with respect to the 2005 level by the year 2025. China is committed to halting the growth in emissions by 2030 and to obtaining 20% of its primary energy from non-fossil sources by 2030.
- The 20th United Nations Climate Change Conference (COP 20) continues working on an agreement to replace the Kyoto protocol in 2020.

In addition to the supra-national agreements, regulatory progress has been made in Europe and the United States. Europe continues with reforms to national energy markets following the approval of new laws and procedures in Germany, Spain, Greece, Portugal, the United Kingdom and Romania, and the presentation of draft legislation in France and Poland. These reforms advance towards a

[16] Pace of installations and grid connections according to BTM (48 GW in 2015E), BNEF (64 GW) and MAKE (51 GW)

steady reduction in government aid, aligned with the rising competitiveness of renewable energies, and towards the introduction of competitive auctions for projects commissioned from 2017 onwards, thereby helping to reduce uncertainty and to create a situation that is more favourable to investment.

Regulatory progress in the main markets includes notably the establishment of more ambitious renewable energy targets in Germany and France. Germany proposes that renewables' contribution

to energy consumption should reach 45% in 2025 (previously 40%) and 60% in 2035 (previously 55%). In France, the proposed new law on the energy model sets targets for the year 2030, including a 40% reduction in emissions with respect to the 1990 baseline, a 30% reduction in fossil fuel consumption, and that renewable sources should cover 40% of energy consumption. The proposal also envisages reducing the nuclear contribution to 50% in 2025, and a 50% reduction in total energy consumption by 2050.

In connection with the regulatory situation and support for renewables, the US temporarily extended (from 31 December 2013 to 31 December 2014) the subsidies for production and investment, and maintained the classification of projects subject to "physical work of a significant nature" or exceedance of the 5% threshold (safe harbour). Meanwhile, the US Environmental Protection Agency (EPA) published the Clean Power Plan to reduce CO2 emissions intensity to 30% below the 2005 baseline by the year 2030.

With regard to investment and installation targets, the plan for 2016-2020 being drafted in China proposes an annual onshore installation target of 20 GW, the goal being to attain 200,000 MW by 2020. The target proposed for offshore is 10,000 MW by 2020.

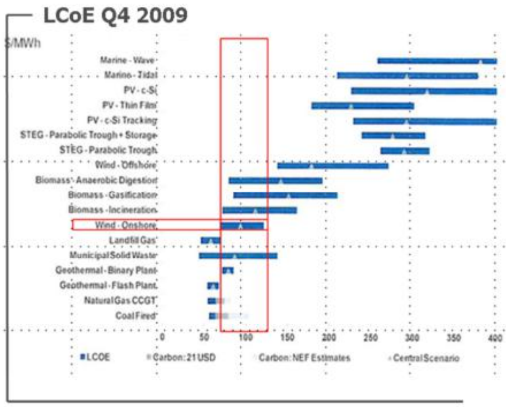
In addition to regulatory developments in the mature economies growing economies such as China, Brazil, Mexico and India continue working to reduce energy dependency while meeting the rising demand for energy.

China is working on the new 2016-2020 Investment Plan that includes targets for onshore installations of 20 GW/year to reach a cumulative base of 200.000 MW in 2020. In the offshore segment the plan targets 10.000 MW in cumulative installations in 2020.

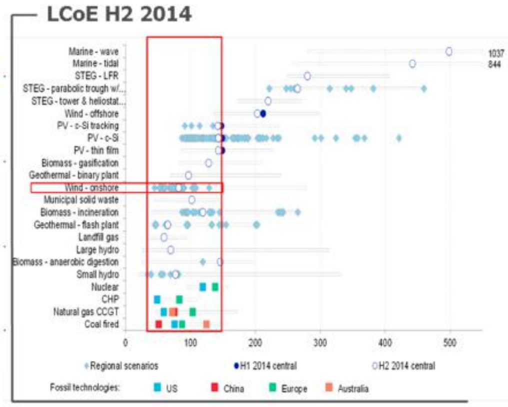
The new government in India has introduced major reforms that support investments in renewable energies in general and wind in particular. Accelerated depreciation has been reinstated for calculating the tax base for wind investments (up to 80% of the value in one year), tax holidays for wind generation have been extended until March 2017 (100% tax credit for 10 years), a 15% tax credit has been introduced for investment in manufacturing enterprises and it has been extended to March 2017, while taxes on the import of components have been reduced.

In 2014, Brazil assigned nearly 2.3 GW of wind PPAs and has announced that the first two auctions of 2015 will be held in April and June. Countries such as Chile, Guatemala, Peru and Egypt are also considering capacity or production auctions.

In addition to regulatory progress and promotion of renewable sources within the energy mix, another lever supporting demand growth in the medium and long term is the notable increase in wind power's competitiveness, to the extent that it is now on a par with traditional sources in many countries, as shown in the graphs.



Source: Bloomberg New Energy Finance

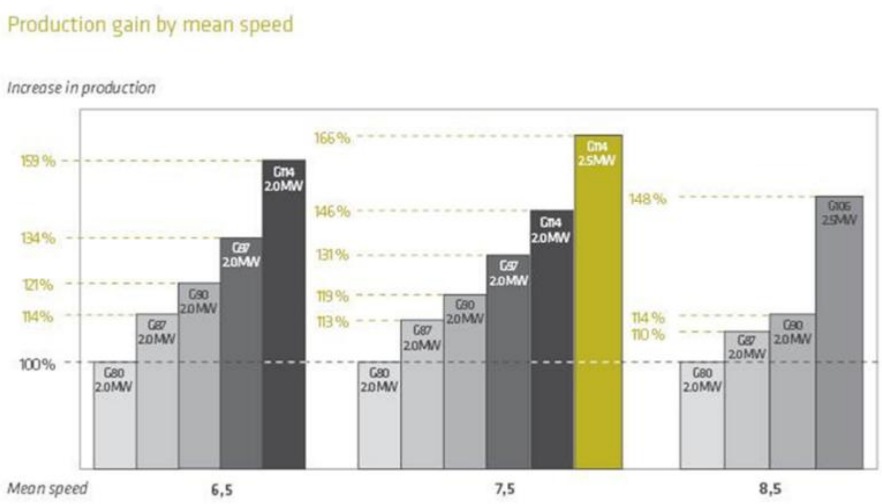


Source: Bloomberg New Energy Finance

GAMESA is participating in this effort to improve wind power's competitiveness. In the last two years, the company has made significant progress in this direction with the launch of the G114-2MW in 2013 and the G114-2.5 MW and G106-2.5 MW for medium and high wind sites in 2014.

Both products are part of the 2.0-2.5 MW platform, of which GAMESA has installed more than 18,682 MW; this platform is characterised by its robustness, high level of reliability and adaptability to all types of sites and wind conditions, with an average fleet availability of over 98%.

The development of both products is in line with the objectives in the company's R&D programme: to maximise value for clients, increase annual energy production and reduce the cost of energy. **The new products, based on sound proven technology, increase annual energy production by 30% with respect to earlier comparable models (G90-2.0 MW and G97 2.0 MW) and reduce the nominal cost of energy by 10%.**

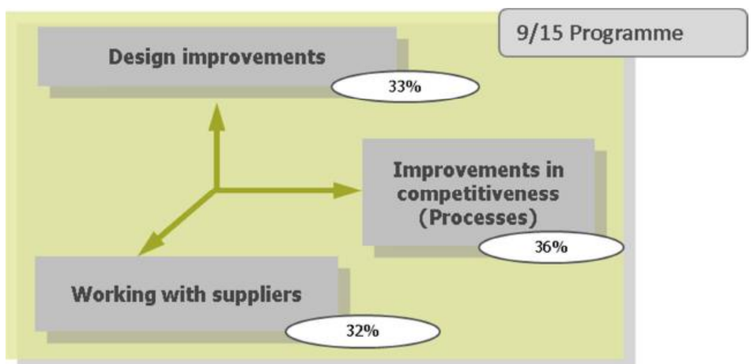


* NOTE: theoretical production calculated for k=2, density 1,225 kg/m3, with average speed at hub height.

Continuous cost optimisation programmes in pursuit of competitiveness

While growth in global demand enabled GAMESA to recover sales growth in 2014 and project the steady increase in 2015 and thereafter, the Company continues to pursue product costs improvements built on top of an optimized fixed cost structure. Ongoing work on product design, the supply chain and internal manufacturing processes improve the Company's competitiveness enabling GAMESA to tap additional growth opportunities in 2014 and subsequent years, opportunities that rival companies are unable to access on a competitive basis.

Among the measures in the 9/15 optimization programme, the process of manufacturing blades by infusion has been fully implemented in India and Europe, enabling the company to achieve the savings envisaged for 2015. In the area of product redesign, most of the improvements have been made in the nacelle frame, elevator and crane and in the tower, and the projected savings are also being achieved as a result. The supply base has also increased considerably, the "build to print" model is already under way, and significant improvements have been achieved in conditions with the traditional suppliers.



All these initiatives aimed at enhancing the company's competitiveness have made it possible to offset the costs of the learning curve associated with the launch of the G114 2.0-2.5MW, the lower relative contribution by operation and maintenance services (due to accelerating sales of wind turbine generators), the lower penetration by multi-MW machines in Europe, and the entry in new markets.

The result is that GAMESA can continue to grow profitably.

Managing the balance sheet effectively

Since the plan was launched, the company has continued to optimise the cost structure while effectively managing the balance sheet. It is precisely in this area that GAMESA obtained some of its most notable results in the last two years, which it expects to maintain in the future.

In terms of capital expenditure, the company remains focused on optimising the cost of energy, where it has achieved very notable improvements with the launch of the G114-2.0 MW, G114-2.5 MW and G106-2.5 MW. Capex continues to be shaped by the potential and size of market opportunities. Along these lines, capex in assets in 2015 will be focused on increasing internal and external capacity in regions with the greatest growth, such as India and Brazil, and on developing new products that follow in the footsteps of the G114-2,0 MW y G114-2,5 MW in terms of increasing energy production and reducing costs. This focus will enable GAMESA **to maintain an investment ratio in tangible and intangible assets of less than 4% of revenues in 2015 and beyond**. That ratio is almost one percentage point less than expected in the 2015 vision under the 2013-15 business plan.

Additionally, €365 million in working capital has been released since the plan was rolled out in 2012, in a context of rising activity. The company has monetised wind farm operational assets and maintains strict control over investment in the development pipeline, focusing on those markets where farm development is an indispensable asset for remaining a leader, as is the case in India and

Mexico. In terms of manufacturing, project management is being aligned with cash flow, and manufacturing is being scheduled in line with receipts (manufacturing to cash). The combination of both working capital management policies enabled the company to end 2014 with a working capital/revenues ratio of 2.5%, and GAMESA expects to maintain the ratio below 5% in the future, i.e. more than 67% lower than the ratio envisaged in the 2015 vision of the 2013-15 plan.

Value creation prospects in 2015

The combination of profitable growth, attributable to the strong competitive position, along with the continuous optimisation of costs and effective management of the balance sheet allows GAMESA to improve upon the value creation prospects set out in the 2013-2015 business plan. Growth in business volume has increased by almost 30% in the new forecasts, while the profitability of operations continues to improve. The working capital/revenues ratio continued to decline, and is almost 70% lower, and the capital expenditure/revenues ratio is almost one percentage point lower than set out in the plan's original vision. **This will drive an improvement in value creation, boosting the differential between ROCE and WACC from 2 to 4 percentage points**.

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

(1) Dividend policy subject to prior approval from the General Shareholders Meeting

These improvements will continue next year, and **GAMESA expects to continue growing activity levels and profitability beyond 2015 while it continues to effectively manage the balance sheet to continue to increase the ROCE.**

Conclusions

In a context of recovering global demand and the improvement in GAMESA's competitive position, **the company ended 2014 above its targets for the year, having achieved the 2015 vision ahead of schedule and improved value creation prospects for the current year,** all attributable to sound business management.

Financial performance in 2014 exceeded all the targets that had been set for the year. Revenues amounted to €2,846 million, i.e. 22% higher than in 2013, and the EBIT margin was 6.7%[13], more than 1 percentage point higher year-on-year. At constant exchange rates[14], GAMESA's revenues expanded by 25% year-on-year, while the EBIT margin was 7.2%. **Additionally, net profit doubled to €101 million.**

One of the most prominent features of 2014 was the company's sound competitive position, with a diversified geographical footprint and customer base, and a portfolio of products and services focused on maximizing returns for our customers. This **resulted in a surge in order intake to 3,315 MW**, 1.6 times the 2013 figure and a five-year high. This enabled **GAMESA to increase revenue visibility for this year and 2016 since it ended 2014 with an order book of 2,494 MW, 38% more than at 2013 year-end and covering 64% of the guidance for 2015**[15], i.e. 11 points more than coverage of 2014 sales at 2013 year-end.

Apart from expanding revenues and profitability, GAMESA continues to strengthen the balance sheet organically, building on the improvements achieved in 2013. In a context of increasing activity, GAMESA reduced working capital by 63% with respect to 2013, and improved the working capital/revenues ratio by 5.8 percentage points in 2014. This reduction in working capital, together with greater profitability and control of capex, **enabled GAMESA to achieve €330 million net cash flow in 2014**, **four times the 2013 figure**, including €120 million in asset sales.

Together with the organic cash flow that enabled it to reduce net financial debt by 79%, and **with the goal of preparing the balance sheet to handle production volumes in excess of those initially set out in the 2013-15 Business Plan, GAMESA increased capital in September by issuing 25.4 million shares (c. 10% of capital)**, with the result that it ended the year with a net cash position of €143 million on the balance sheet, and improved its NFD/EBITDA ratio to -0.4x.

As a result, GAMESA is equipped to continue increasing production and profitability ratios in 2015 and subsequent years. It is ready for a future of profitable growth.

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18 Excluding non-recurring item amounting to €9.4 Million

19 At the 2013 average exchange rate.

20 Hedging 2013 to 2014 calculated according to order book to December 2013 to 2014 on current sales activity 2014 (2,623 MWe).

21 Coverage calculated as orders for production in 2015 with respect to the mid-point of volume guidance for 2015 (2,800-3,100 MWe). 2014 coverage using actual sales for 2014 (2,623 MWe).

3. MAIN BUSINESS RISKS

GAMESA Group is exposed to certain financial risks that it manages by grouping together risk identification, measurement, concentration limitation and oversight systems. GAMESA's Corporate Division and the business units coordinate the management and limitation of financial risks through the policies approved at the highest executive level, in accordance with the established rules, policies and procedures. The identification, assessment and hedging of financial risks are the responsibility of each business unit.

The risk associated with changes in exchange rates assumed for GAMESA's transactions involve the purchase and sale of products and services relating to its activity that are denominated in various currencies.

In order to mitigate this risk, GAMESA has obtained financial hedging instruments from financial institutions.

4. USE OF FINANCIAL INSTRUMENTS

GAMESA Group uses financial hedges which allow The Group to mitigate risks involving exchange rates, interest rates, and equity volatility that could affect the Group estimated results based on estimates of expected transactions in its various areas of activity.

5. SUBSEQUENT EVENTS

There were no significant events subsequently to the year end.

6. RESEARCH AND DEVELOPMENT ACTIVITIES

Technological development is established within a multi-year framework that is rolled out in the Annual Technological Development Plan, where activities and deliverables are established for each year in question, and to which a budget is finally assigned.

In 2014 the main addition to “Research Development” under intangible assets was due to the development by GAMESA Innovation and Technology, S.L. of new wind turbine models and to the optimisation of the performance of their components amounting, in total for the entire Group, approximately €45.473 thousands (approximately €53,485 thousands in 2013):

7. TREASURY SHARE OPERATIONS

At 31 December 2014 GAMESA holds a total of 3,154,218 treasury shares representing 1.129% of share capital.

The total cost for these treasury shares totals €24,873 thousands, each with a par value of €7,886.

A more detailed explanation of transactions involving treasury shares is set out in Note 18.e of the Notes to the Consolidated Financial Statements at December 31, 2014.

8. CAPITAL STRUCTURE

THE CAPITAL STRUCTURE, INCLUDING SECURITIES TRADED ON A COMMUNITY REGULATED MARKET, INDICATING, WHERE APPROPRIATE, THE DIFFERENT NATURE OF SHARES AND FOR EACH TYPE OF SHARES, THE RIGHTS AND OBLIGATIONS GRANTED AND PERCENTAGE OF CAPITAL REPRESENTED:

In accordance with Article 4 of the Bylaws of GAMESA Corporación Tecnológica, S.A., in the wording approved on September 8, 2014 by the board of directors *"Share capital amounts €47,475,693.79 divided into 279,268,787 ordinary shares with a par value of seventeen cents each, numbered sequentially from 1 to 279,268,787, consisting of a single class and series."*

SIGNIFICANT DIRECT AND INDIRECT SHAREHOLDINGS

According to public information in the possession of GAMESA CORPORACION TECNOLOGICA, S.A. the capital structure at 31 December 2014 is as follows:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% total voting rights
IBERDROLA, S.A.	54,977,288	-	19.686
BLACKROCK, INC.	-	8,971,980	3.213
NORGES BANK	8,421,434	-	3.016
DIMENSIONAL FUND ADVISORS LP	-	7,473,500	2,676[1]

[1] It is expressly stated that in accordance with the records of the National Stock Market Commission, the company DIMENSIONAL FUND ADVISORS LP holds a stake exceeding 3% of the share capital of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and is therefore a significant shareholder.

(*) Through:

Name of direct holder of the stake	Number of direct voting rights	% total voting rights

9. RESTRICTIONS ON THE TRANSFER OF SHARES

There are no restrictions on the transfer of shares.

10. SIGNIFICANT DIRECT AND INDIRECT SHAREHOLDINGS

See point 8.

11. RESTRICTIONS ON VOTING RIGHTS

There are no restrictions of any kind on voting rights.

12. SHAREHOLDER AGREEMENTS

GAMESA Corporación Tecnológica, S.A. is not aware of the existence of any shareholder agreements.

13. REGULATIONS APPLICABLE TO THE APPOINTMENT AND REPLACEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND AMENDMENT OF THE CORPORATE BY LAWS

Pursuant to the provisions of article 32 of the GAMESA CORPORACIÓN TECNOLÓGICA, S.A. Corporate By-laws, members of the Board of Directors are *"appointed by the General Meeting"* and *"should a vacancy arise during the term of office of a Director, the Board may appoint a shareholder to fill the vacancy until the first General Meeting is held",* always in compliance with the provisions of the Spanish Capital Companies Act and the Corporate Bylaws.

Pursuant to articles 19.5. b) and 23.2 of the Board of Directors Regulations, candidatures for the office of Director submitted by the Board of Directors for deliberation by the Shareholders General Meeting and the appointment decisions made by the said body pursuant to the interim powers conferred by law on the said body shall be preceded by the corresponding proposal by the Appointments and Remuneration Committee in the case of independent Directors, or by a report by the said Committee in the case of all other categories of Directors. Article 23.3 of the Board of Directors Regulations provides that *"where the Board of Directors should reject the proposal or the report of the Appointments and Remuneration Committee, it must state its reasons for this and record the said reasons in the minutes."*

Article 24 of the said Regulations provides that *"the Board of Directors and the Appointments and Remuneration Committee, within the scope of their powers, shall seek to ensure that the proposal and election of candidates corresponds to persons of renowned respectability, solvency, competence, and experience, and this rigour must apply even more strictly in the appointment of persons to the office of independent Director.*

In the case of Directors which are legal persons, the natural person who is to represent them in the exercise of the powers associated with the office of Director shall be subject to the same requirements of respectability, solvency, competence, and experience as stated in the previous paragraph, and the duties incumbent on Directors laid down in these Regulations shall be applicable to said representative personally".

Finally, article 19.5. p) of the Board of Directors Regulations makes it the responsibility of the Appointments and Remuneration Committee *"to ensure that when filling vacancies on the Board of Directors, the selection procedures used are not subject to any implicit bias resulting in any discrimination of any kind.*"

With regard to the re-election of Directors, article 25 of the Board of Directors Regulations provides that *"any proposals for the re-election of Directors that the Board of Directors may decide to submit before the Shareholders General Meeting must be subject to a formal evaluation process, which shall necessarily include a proposal or report issued by the Appointments and Remuneration Committee assessing the quality of the work and the dedication to the office shown by the proposed Directors during their previous mandate.*

For these purposes, the Directors that form part of the Nominations and Compensation Committee will be evaluated by the Committee and the members must abstain from being involved with any deliberations and votes that involve themselves.

The Chairman, the Vice Chairmen, and where appropriate, the Secretary and the Vice Secretary of the Board of Directors who are re-elected as Directors following a resolution of the General Meeting shall continue to hold the offices they held previously within the Board of Directors, without needing to be re-elected, and without prejudice to the powers of revocation held by the Board of Directors in respect of said offices."

The dismissal of Directors is governed by article 27 of the Board of Directors Regulations, which provides that *"Directors shall cease to hold office upon the expiry of the term for which they were appointed (without prejudice to the possibility of being re-elected), and upon a decision in this regard taken by the Shareholders General Meeting in accordance with the powers conferred on it by law and by the by-laws. Likewise, the Board of Directors may propose the dismissal of a Director to the Shareholders General Meeting"*.

The procedures and circumstances with regard to the dismissal shall be those laid down in the Spanish Capital Companies Act and in the Commercial Registry Regulations.

Pursuant to the provisions of Article 27.2 of the Board of Directors Regulations, *"Directors shall tender their resignation to the Board of Directors, and where the Board should consider it appropriate, shall step down-following a report by the Appointments and Remuneration Committee-in the following circumstances:*

> *a) In the case of Directors appointed to represent shareholder interests, where said Directors or the shareholders they represent should cease to hold a significant and stable shareholding in the Company, or where the said shareholders should revoke the representation conferred on the Director.*
>
> *b) In the case of executive Directors, where the Board of Directors should consider this appropriate.*
>
> *c) In the case of external Directors, where they should join the executive line of the Company or any of the Group companies.*
>
> *d) In the case of independent Directors, where they should incur for any reason in any of the circumstances envisaged by Article 8.2 point two of the Regulations, which are incompatible with the status of independent Directors.*
>
> *e) Where, for supervene in reason, they incur in any of the circumstances of disqualification or prohibition envisaged in the current regulations, the Corporate Bi-laws, or these Regulations.*
>
> *f) Where they are charged with an alleged criminal offense, or are served with notice that they are to be tried for any of the offenses listed in the provisions relating to disqualification from holding the office of director envisaged in the Spanish Capital Companies Act, or are the subject of disciplinary proceedings for a serious or very serious offense commenced by the regulatory authorities.*

g) When they cease to hold the executive positions to which their appointment as a Director is associated.

h) Where they should receive a serious reprimand from the Audit and Compliant Committee, or should be punished for a serious or very serious offense by a public authority, for having infringed their duties as Directors.

i) When their remaining on the Board may jeopardise the Company's interests or when the reasons for which they were appointed no longer exist.

j) Where, for reasons attributable to the Directors in their capacity as such, serious harm has been caused to the Company's standing, or they should lose the commercial and special respectability necessary in order to be a Director of the Company."

Rules applicable to the amendment of the Corporate By-laws

The amendment of the GAMESA Corporación Tecnológica, S.A. Corporate By-laws is governed by the provisions of Articles 285 to 290 of the Spanish Capital Companies Act, approved approved by Royal Legislative Decree 1/2010 of July 2 (the "Capital companies Act").

As is stated by Article 16.1.h) of the Bylaws and Article 7 of the Shareholder Meeting Regulations, the authority to amend the bylaws resides with shareholders.

Article 40.2 m) of the Bylaws indicates that the Board of Directors will propose changes to the bylaws to shareholders.

Article 35.3 of Shareholder Regulations indicates that the Board of Directors will prepare proposals for different res9olutions for those matters that are substantially independent, so that shareholders may separately exercise their voting preferences. This rule is particularly applicable in the case of amendments to the bylaws, with votes taken on all articles or groups of articles that are materially different.

Upon the calling of the General Meeting at which the amendment of the bylaws will be proposed, the Company's website will include the complete text of the proposed resolution and the reports from the competent bodies, in accordance with Article 518 of the Spanish Companies Act 2010.

14. POWERS OF ATTORNEY OF THE MEMBERS OF THE BOARD OF DIRECTORS AND, IN PARTICULAR, THOSE RELATING TO THE POSSIBILITY OF ISSUING OR REPURCHASING SHARES

Power-of-attorney granted to Members of the Board of Directors

The Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., at the meeting held on 23 May 2012, unanimously agreed, following a favourable report by the Appointments and Remuneration Committee to appoint Mr. Ignacio Martín San Vicente as Executive Chairman of the Board of Directors and Managing Director, delegating all powers corresponding to the Board of Directors pursuant to law and to the Corporate By-laws to him, with the exception of those that may not be delegated pursuant to law or to the Corporate By-laws. Mr. Martín San Vicente accepted his appointment at the same act.

Powers relating to the possibility of issuing or repurchasing shares

At the date of the approval of this Report, the authorization granted by the Annual General Meeting held on May 28 2010 remains in force, pursuant to which the Board of Directors has powers to acquire treasury shares. There follows below a verbatim transcription of the resolution approved by the Meeting under item 10 the Agenda.

“To expressly authorize the Board of Directors, with express powers of substitution, pursuant to the provisions of article 75 of the Spanish Companies Act, to proceed to the derivative acquisition of shares in GAMESA Corporación Tecnológica, Sociedad Anónima, subject to the following conditions:

a. - Acquisitions may be made directly by GAMESA Corporación Tecnológica, Sociedad Anónima, or indirectly through its controlled companies.

b.- Acquisitions of shares, which must be fully paid up and free from all charges and/or encumbrances, shall be made through sale and purchase transactions, exchanges, or any other method allowed by law.

c. - Acquisitions may be made, at any time, up to the maximum figure allowed by law.

d. - The minimum price for the shares will be their par value and the maximum price may not exceed ten percent (10%) of their listed price on the date of acquisition.

e. - A restricted reserve may be set up in the Company’s equity equivalent to the calculated value of the own shares in the assets. This reserve must be maintained for as long as the shares are not disposed of or amortized.

f. - The shares acquired may be subsequently disposed of under such conditions as may be freely agreed.

g. - This authorization is granted for a maximum term of 5 years, and expressly renders of no effect the authorization granted by the Company’s Annual General Meeting on May 29 2009, in that part left to run.

For the purposes of the provisions of paragraph two section 1 of article 75 of the Spanish Companies Act, to grant express authorization for the acquisition of shares in the Company by any of the controlled companies subject to the same conditions as under this agreement.

Finally and in relation to the provision of the last paragraph of section 1 of article 75 of the Spanish Companies Act, in the wording thereof given by Law 55/1999 of 29 December, it is stated that the shares acquired pursuant to this authorization may be used by the Company, inter alia, for the purpose of being allotted to employees or directors of the Company, either directly or as a result of the exercise of option rights or any other rights envisaged in the Incentive Plans of which they are the holders and/or beneficiaries pursuant to the provisions laid down by law, the by-laws, or the regulations.”

15. SIGNIFICANT AGREEMENTS ENTERED INTO BY THE COMPANY AND WHICH COME INTO FORCE, ARE AMENDED, OR COME TO AN END IN THE EVENT OF A CHANGE OF CONTROL AT THE COMPANY AS A RESULT OF A TAKEOVER BID, AND THE EFFECTS THEREOF, EXCEPT WHERE THE DISCLOSURE THEREOF SHOULD BE SERIOUSLY PREJUDICIAL TO THE COMPANY. THIS EXCEPTION SHALL NOT APPLY WHERE THE COMPANY SHOULD BE UNDER A STATUTORY DUTY TO MAKE THIS INFORMATION PUBLIC.

Pursuant to the framework agreement dated December 21, 2011 (Relevant event 155308) between Iberdrola, S.A. and the subsidiary of GAMESA Corporación Tecnológica, S.A., GAMESA Eólica, S.L. Unipersonal, in the event of any change in control of GAMESA Corporación Tecnológica, S.A. would allow Iberdrola, S.A. to terminate the framework agreement without the parties having any claim against such termination.

Also in accordance with the Joint Venture agreement signed as of July 7, 2014 (Significant Event number 208151) between AREVA, SA and GAMESA Corporación Tecnológica, SA, among other companies within their respective groups, the eventual change in control of GAMESA Corporación Tecnológica, SA in favor of a competitor would authorize the parties to the AREVA group to terminate the agreement, a situation that could lead to the sale of AREVA's participation held by GAMESA in the Joint Venture or, ultimately, to the dissolution and liquidation of that company Joint Venture.

16. ANY AGREEMENTS BETWEEN THE COMPANY AND ITS BOARD MEMBERS OR EMPLOYEES PROVIDING FOR COMPENSATION IF THEY RESIGN OR ARE MADE REDUNDANT WITHOUT VALID REASON OR IF THEIR EMPLOYMENT CEASES BECAUSE OF A TAKEOVER BID.

The Chairman and CEO and some of the members of the executive team at the Company have contractual agreements to receive financial compensation in the event of termination for reasons attributable to the Company and, in some cases, due to the occurrence of objective circumstances, such as a change in control. The financial compensation agreed for such termination consists, in general, of the payment of compensation up to a maximum of three years' salary, depending on personal and professional circumstances and the time at which the agreement was concluded.

In general with regard to non-managerial employees, in the event of the termination of their employment relationship, their contracts do not clearly financial compensation other than as required by current legislation.