Annual Report

2010

GLOBAL TECHNOLOGY
EVERLASTING ENERGY

Gamesa

Key figures

Financial figures	2010	2009	2008	2007	2006
Revenues (€MM)	2,764	3,229	3,834	3,247	2,401
MW equivalent sold	2,405	3,145	3,684	3,289	2,250
EBIT (€MM)	119	177	233	250	262
Net earnings after taxes (€MM)	50	115	320	220	313
Net debt/EBITDA	-0.6x	0.7 x	0.1 x	0.5 x	1.6 x
Share price at 31 Dec. (€)	5.71	11.78	12.74	31.98	20.85
Earnings per share (€)	0.21	0.47	1.32	0.90	0.82
Gross dividend per share (€/share)	0.12	0.21	0.23	0.21	0.16

Social indicators	2010	2009	2008	2007	2006
Workforce	7,262	6,360	7,187	6,945	5,420
% workforce in other countries	36	31	32	33	22
% women in workforce	24.55	25.52	25.34	22.30	23.51
% indefinite contracts	87	86	72	68	70
Hours training/employee	32.27	32.32	32.79	24.10	12.54
Accident frequency index	4.19	4.91	9.15	20.06	26.80
Accident severity index	0.13	0.16	0.19	0.30	0.40

Environmental indicators	2010	2009	2008	2007	2006
Raw materials (t/MM€)	41	40	47	43	53
Energy consumption (GJ/€MM)	406	329	354	396	395
Water consumption (m^3/€MM)	42	28	31	27	27
Waste produced (t/€MM)	5	5	5	5	4
Discharges produced (m^3/€MM)	19	20	13	20	20
CO_2 emissions (t/€MM)	18	15	17	19	13
CO_2 emissions avoided (t/€MM)	1,403	1,036	1,239	1,467	1,405

Sustainability indexes	2010	2009	2008	2007	2006
Dow Jones Sustainability Indexes-World	√	√	√	√	-
Dow Jones Sustainability Indexes Europe	√	√	√	√	-
FTSE4Good	√	√	√	√	√
Sustainable Business 20 (SB20)	√	√	-	-	-
Ethibel Excellence Europe	√	√	√	-	-
Global Challeges Index	√	√	√	√	-
Cleantech Index	√	√	√	-	-

Main milestones

2010

December

- Established manufacturing base in Brazil to focus on Mercosur as one of the new strategic markets

November

- Gamesa, world leader in renewable energy manufacturing according to DJSI
- Implemented the Azimut project to develop a 15 MW offshore wind turbine with 100% Spanish technology

October

- Agreement with US company Northrop Grumman Shipbuilding to cooperate on offshore wind technology
- Gamesa announces plans to locate its World Offshore Centre in the UK, investing over 150 million through 2014
- Presentation of the Business Plan 2011-2013 to set the industry bench-mark in cost of energy

September

- Signature of Equality Plan with labour unions
- Agreement to supply 258 MW for 9 wind farms owned by Iberdrola Renovables in Brazil
- Construction of 6th manufacturing plant in China begins, and announcement of 90 million euro of investment in China through 2012
- Awarded contract to maintain 163 MW for Iberdrola Renovables in Germany and France
- Commercial launch of the G9X-2.0 MW, the most versatile platform in the market

June

- Launch of the Gamesa Corporate University to enhance our people's employability
- Workplace health and safety certification obtained from AENOR
- Gamesa's G90 Class II wind turbine obtains GL Renewables Certification

May

- First stone laid for the fifth manufacturing plant in China

April

- Commercial launch of the new Gamesa G10X-4.5MW platform—the most powerful wind turbine in the onshore wind market
- Presentation of an online weather forecasting service for wind farms

February

- Commissioning of the first production plant in India
- Gamesa to maintain Iberdrola Renovables' wind farms in Spain and Portugal

2011

April

- Launch of the Gamesa G136-4.5 MW wind turbine, designed for sites with low wind
- Obama visits Gamesa plant in Fairless Hills (Pennsylvania, USA)
- Gamesa signs MoUs to supply 900 MW to three Chinese companies, and will support Longyuan in its plans to develop wind farms outside China
- Gamesa opens new advanced materials research centre in Singapore

March

- Expansion in Asia with announcement of plans to invest over 60 million euro through 2012 to establish new production plants in India
- Gamesa signs agreement with ONCE Foundation for social and employment integration of persons with disabilities

February

- Inauguration of a joint offshore technology centre in partnership with Northrop Grumman Shipbuilding in Virginia (US)
- Agreement to supply E.ON with a prototype of the Gamesa G11X-5.0 MW offshore turbine and a G128-4.5 MW turbine in 2012

January

- Gamesa consolidates leading position in Spanish wind market with 50% market share in 2010
- Gamesa announces plans to install its offshore technology centre in Scotland
- Entry into the Asia Pacific wind market: installation of 8 MW for Pioneer Generation in New Zealand

Annual Report 2010

Gamesa

Message from the Chairman and CEO

Energy continued to be a key component in the political, economic and social debate and in decisions throughout the world in 2010.

During the year, wind power in particular became firmly established as one of the key energy sources to be considered in any energy model. Because of rising per capita energy demand in emerging markets such as China, India and Brazil, and the need to ensure a low-carbon energy model in the more industrialised countries, wind now guarantees a safe, clean source of energy while also contributing to countries' energy independence and the socio-economic development of our communities.

The agenda of all governments and business organisations in recent years has focused on searching for solutions to the population explosion and the pace of change; now another factor needs to be considered: we must resolve vital issues such as universal access to electricity, energy production which is clean, sustainable, stable and reasonably priced, and energy security.

The global electricity deficit is an opportunity for companies like Gamesa, and so is the rapid, sweeping transformation being experienced by the the energy sector in particular, but also by industry generally, as a result of the persisting global financial crisis, the shift in demand to emerging markets, growing competition between global companies and local operators, and the race to reduce the cost of energy.

Installed wind capacity worldwide increased by 24% in 2010 following the installation of 38.2 GW; moreover, for the first time in 20 years, growth in installed capacity slowed while over half of the new capacity was installed outside the traditional markets (Europe and North America), with China being the fastest-growing market. Other developing countries also increased wind capacity during the year, including India, Brazil, Mexico, Egypt, Morocco and Tunisia, showing that the technology is expanding beyond its traditional markets.

The crisis and uncertainty were felt especially in the US, where the number of MW installed halved to 5 GW in 2010, and in Europe, where 9.9 GW of capacity were installed, i.e. 7.5% less than in 2009, even though offshore wind power grew 50% in such countries as the UK, Denmark and Belgium.

As a result, we must continue to call for policy measures to promote the industry as well as stable regulations, since wind power is destined to be a part of the solution to energy and socio-economic needs in countries around the globe.

In this context, Gamesa understands that it can and must participate and offer solutions; during the year, it continued to advance in this line, pursuing a triple objective: doing more with less, doing more for more people, and doing things better for more people.

That is to say:

- offering more efficient energy solutions, providing our customers with better products and services, reducing the Cost of Energy (CoE) by 20% in the next three years and by 30% by 2015;
- globalising our activity: 93% of the MW we sold in 2010 were outside Spain. Last year, we entered 10 new markets, sold to 22 new customers and doubled our sales network;
- moreover, thinking globally and acting locally: expanding our industrial base in markets with strong energy demand; generating skilled employment (in 2010 we increased our workforce by 14%); developing a local supply chain which is aligned and committed to our business objectives and creates wealth in communities in the more than 50 countries where we operate.

In October 2010, we unveiled our Business Plan 2011-2013 in London; the result of a detailed reflection on the economic and industry situation, its goal is for Gamesa to set the benchmark in the wind power industry by offering the lowest cost of energy, while focusing on three vectors: Cost of Energy (CoE), growth and efficiency.

Despite the persisting demand crisis, coupled with uncertainty and the transformation of the sector, Gamesa attained its volume and profitability targets in 2010 due to efficient, profitable performance,while also maintaining margins and aligning volumes and production to orders, investing in growth (expanding production capacity and sales in markets such as China, India and the United States) and betting on offshore, as well as optimising production capacity in markets that are slowing, such as Spain.

Gamesa ended the year with a net cash position of 210 million euro, after generating 472 million euro in net free cash flow during the year. The revival in order intake in the final months of the year and the expansion of sales efforts during the year led to an order book of 1,414 MW for delivery in 2011 (+25% with respect to 2009 year-end), i.e. 48% of the wind turbine sales guidance for 2011 (2,800-3,100 MW).

Consolidated revenues amounted to 2,764 million euro, EBIT to 119 million euro and profit to 50 million euro. The wind turbine division sold 2,405 MW, i.e. within the guidance, including a growing proportion of international business, which accounted for 93% of total MW sold, up from 73% in 2009.

In 2010, Gamesa continued to focus on maintaining profitability and a solid financial position through the Cost Improvement Plan, which enabled it to save over 100 million euro in the year, resulting in an EBIT margin of 4.9% in this division (guidance for the year: 4.5%-5.5%) and a working capital/revenues ratio of -1%, well below the expected 20%.

We project a steady return to growth, accompanied by a recovery in our main financial and operating line items; a steady decline in the Cost of Energy (CoE); a period of intense investment to launch new products and technological solutions, both onshore and offshore, international expansion, and a review of our production capacity and our approaches to production and management in order to improve efficiency and productivity. This will be undertaken with the support of the wind farm development and sale business and the O&M services business, which will continue to add value to Gamesa in the future.

Gamesa understands that it can and must participate and offer solutions; during the year, it continued to advance in this line, pursuing a triple objective: doing more with less, doing more for more people, and doing things better for more people.

However, the changes being experienced in the world and the industry, and by Gamesa as an active participant, are leading us not only to adapt our business strategies and the way we interact with the environment, but also to define and develop "ways of doing" to ensure that we continue to be part of the solution.

By reviewing our work methods and addressing the challenge of thinking, innovating, building enthusiasm and action as "one Gamesa", we also reformulated our values and attitudes in 2010, namely Teamwork, Innovation, Excellence, Respect and Sustainability, together with the three attitudes for success: Leadership, Global Company, and Passion about Customers.

Before I conclude this summary of 2010 and my comments on the market challenges, I would like to express my gratitude to all those who contribute, year after year, to making Gamesa a world-leading innovative company and to acknowledge the hard work and support of our directors, shareholders, customers, suppliers and professionals. I am confident that the goals we have set will spur us all to strive continuously, on a personal and professional level.

Jorge Calvet
Chairman and CEO

Board of Directors

CHAIRMAN AND CEO

Jorge Calvet
Executive

DEPUTY CHAIRMAN

Juan Luis Arregui
— Other External Directors

MEMBERS

Carlos Fernández- Lerga
— Independent

José María Vázquez
— Independent

Benita Ferrero-Waldner
Other External Directors

José María Aracama
— Independent

Pedro Velasco
— Proprietary

Luis Lada
— Independent

Iberdrola (represented by José Miguel Alcolea)
Proprietary

SECRETARY AND BOARD MEMBER

Carlos Rodríguez- Quiroga
Executive

— Audit and Compliance Committee
— Appointment and Remuneration Committee
— Lead Independent Director

Management Committee

Jorge Calvet
Chairman and CEO

Geographical Units

Dirk Matthys
Chairman and CEO for North America

José Antonio Miranda
Chairman and CEO for China

Ramesh Kymal
Chairman and CEO for India

Operating Units

Operations

Iñigo Giménez
Chief Operating Officer

Martín Barandela
General Planning Director

Ricardo Chocarro
Operations Managing Director

José Ignacio Larretxi
Excellence Managing Director

Pedro López
Services Managing Director

José Antonio Malumbres
Technology Managing Director

Teodoro Monzón
Wind Farm Development and Sales Managing Director

Commercial and Projects

Javier Perea
Commercial and Projects Managing Director

Corporate Units

Amalia Blanco
Communication and External Relations Managing Director

Iñigo Cisneros
Legal Services Managing Director

José Antonio Cortajarena
General Secretary

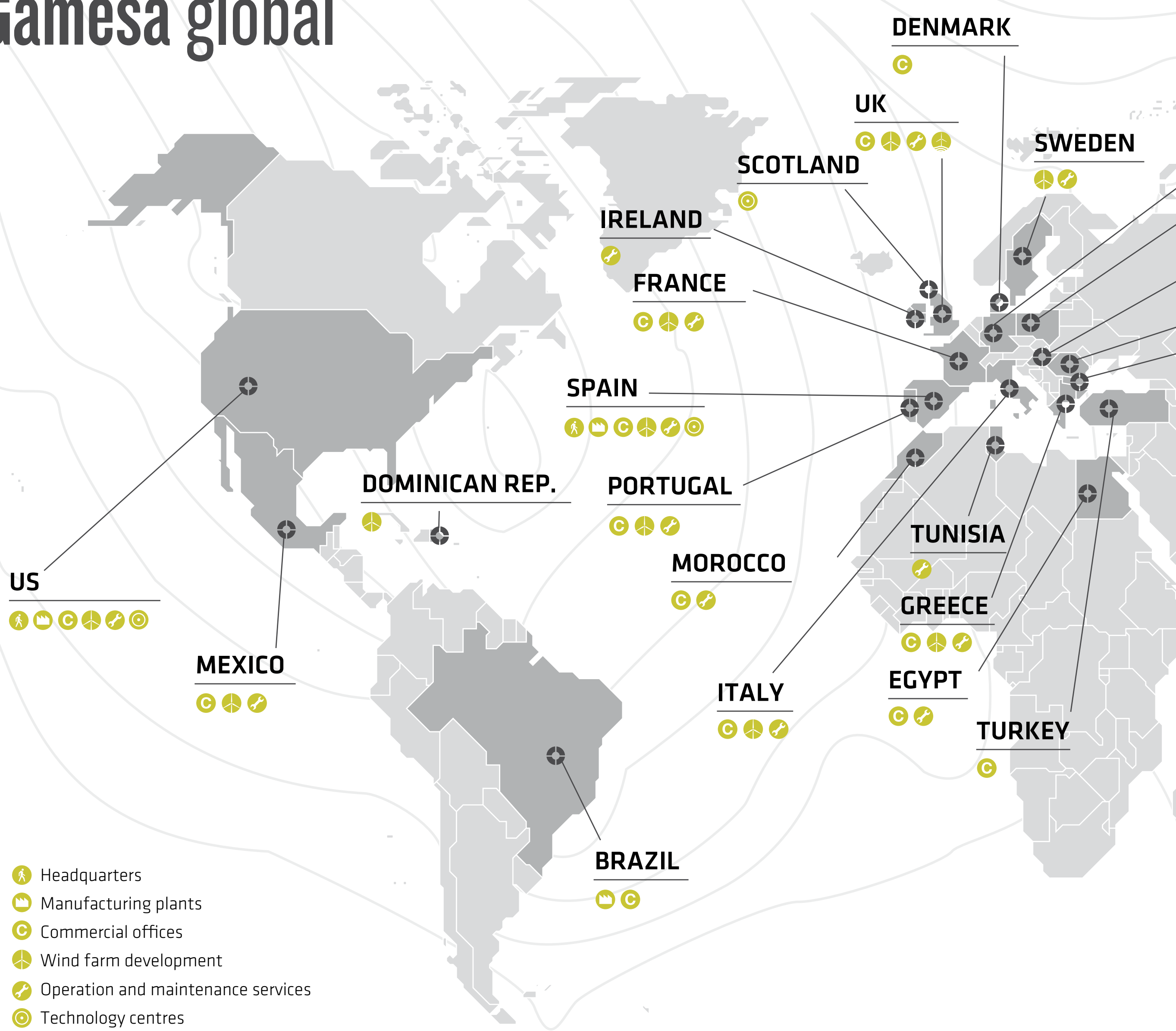
Juana María Fernández
Human Capital Managing Director

Juan Ramón Iñarritu
Management Control Managing Director

David Mesonero
Director of Business Development

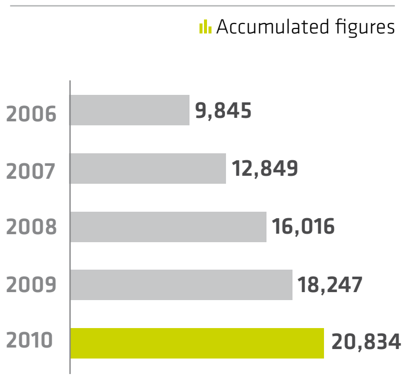
Gamesa's building in Madrid, Spain

Gamesa global

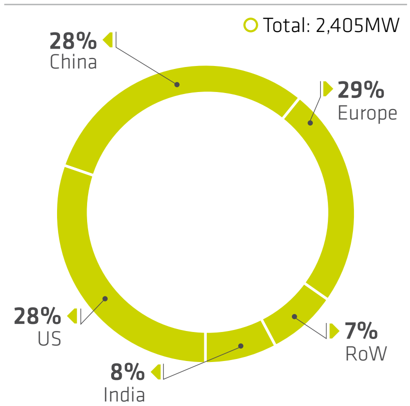


- Headquarters
- Manufacturing plants
- Commercial offices
- Wind farm development
- Operation and maintenance services
- Technology centres
- Offshore

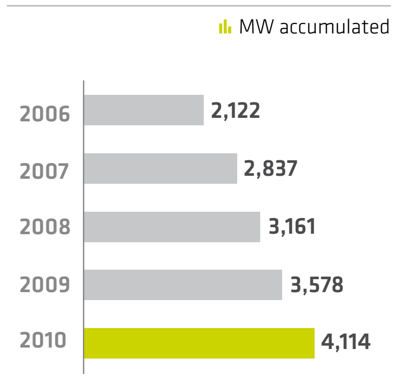
MW installed

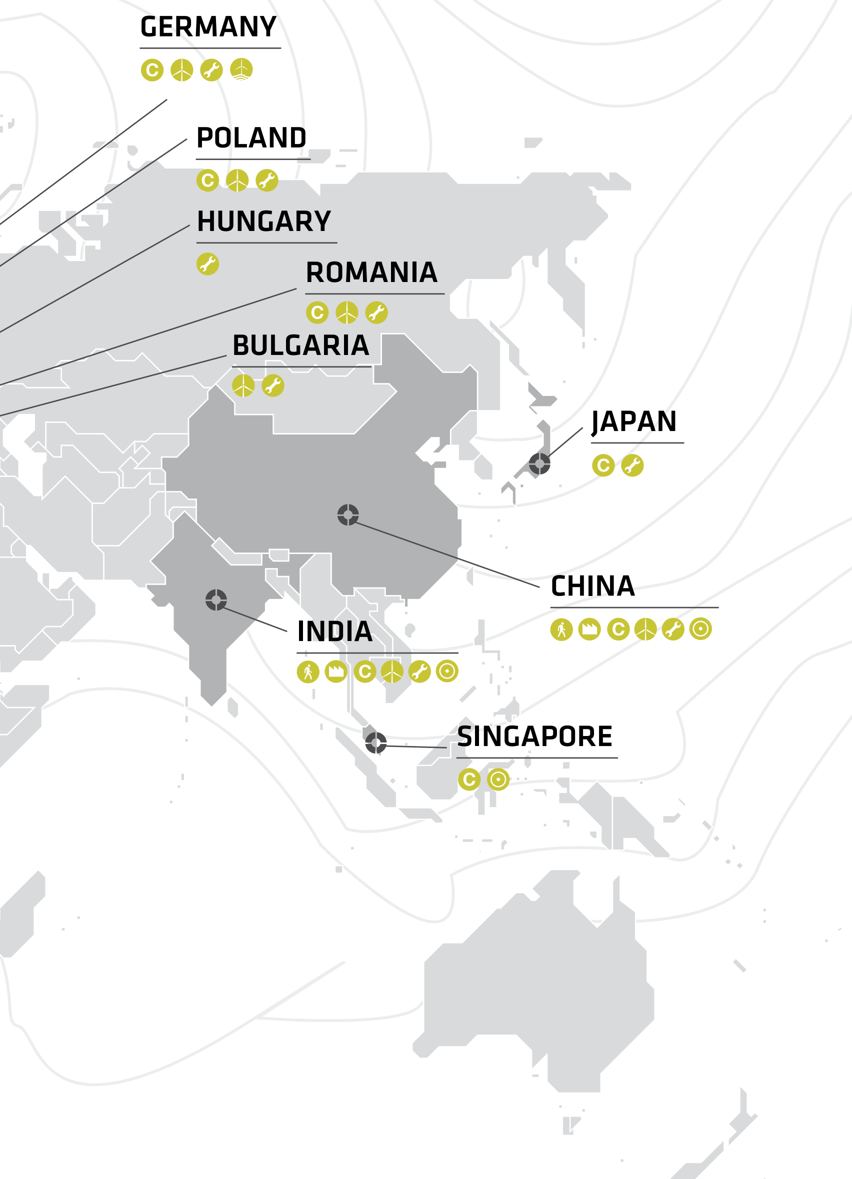


MW sold in 2010



Wind farms developed





Wind turbine design, manufacturing and installation

With 21,000 MW capacity installed to date, Gamesa is among the world leaders in the wind energy market. Gamesa has industrial plants and sales offices in the world's main wind markets.

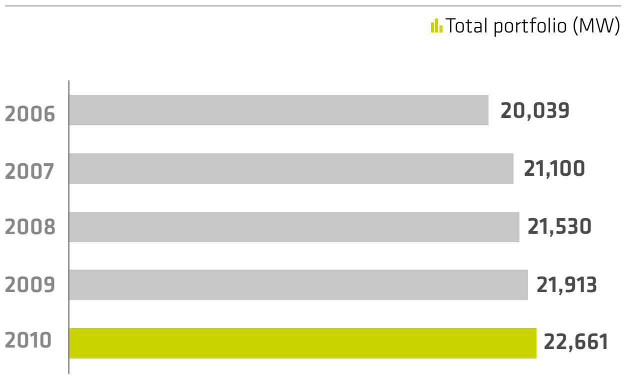
Operation and maintenance services

Gamesa's end-to-end offering in the industry is evident in the comprehensive range of operation and maintenance services provided by 2,500 professionals to over 130 clients worldwide (close to 14,000 MW under maintenance).

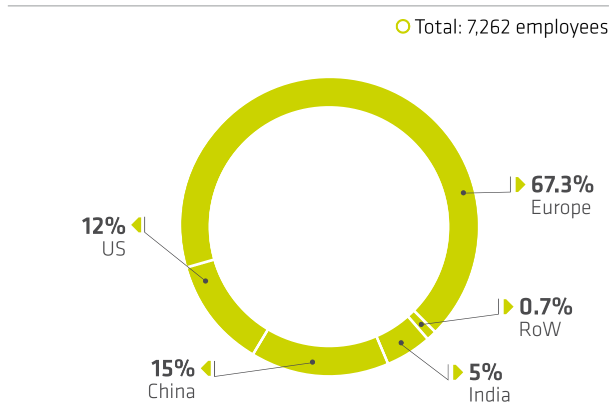
Development and sale of wind farms

Gamesa has developed and commissioned over 170 wind farms in 11 countries with a total capacity of over 4,100 MW. Gamesa has a portfolio of 22,660 MW at different stages of development in Europe, America and Asia.

Wind farm development and sale



Workforce in 2010



Gamesa 2010 and strategy


ATEGY

Gamesa 2010 and strategy

The profound and rapid changes sweeping the sector have led Gamesa to consider a medium-term business strategy based on three main vectors: lower Cost of Energy (CoE), growth and efficiency.

More than fifteen years' experience and the installation of 21,000 MW in more than thirty countries have made Gamesa a global technology leader in the wind industry. Its end-to-end offering in this market includes the design, construction and installation of wind turbines, maintenance (almost 14,000 MW in the latter case), and wind farm development and sale worldwide.

In the coming years, Gamesa plans to expand its commercial and manufacturing efforts into growth markets, while investing heavily in launching new products and services and implementing a more efficient production, logistics and O&M system. It is also rising to market challenges by adopting a firm position in offshore wind with a sound technological and industrial proposition to develop this market in the coming years.

Gamesa operates in the three main lines of activity within the wind power industry:

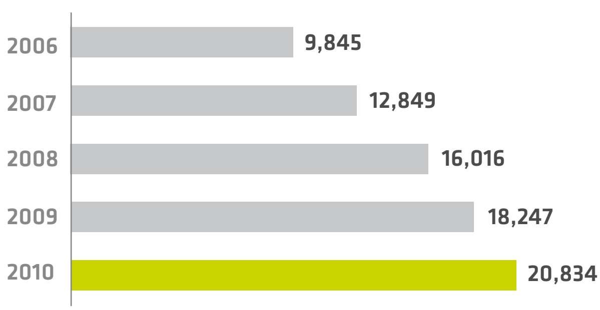
- it is a pioneer in the design, manufacture and installation of wind turbines, and it ranks among the world leaders in the market, having installed 20,834 MW through 2010. With manufacturing facilities in Europe, the US, Asia (China and India) and Brazil, the company is focusing on expanding in target countries, in line with market growth in target countries or in partnership with its main customers. Gamesa is also expanding production capacity in growth areas and continuously improving the reliability, efficiency and availability of its portfolio of products and services, both present and future, enabling it to reduce CoE for customers by 20% in the next three years and by 30% by 2015.

Key figures for 2010

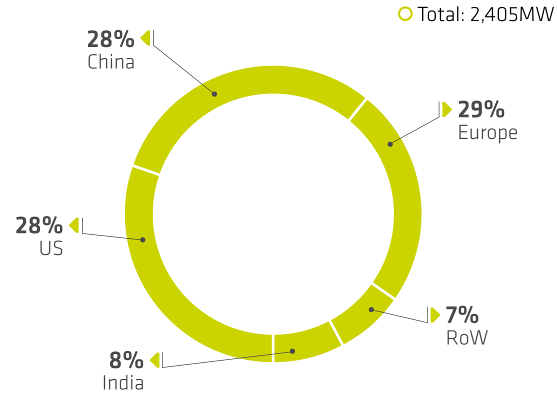
	Millions of euros
Sales	2,764
EBITDA	328
EBIT	119
Net Income	50
Net financial debt	-210
Net debt/EBITDA	-0.6x

- In addition to its renewable energy manufacturing activities, since 1995 Gamesa has also developed wind farms, enabling it to leverage its expertise in the areas of development, construction and sales. At the end of 2010, Gamesa had more than 170 operational wind farms worldwide, with a total installed capacity of more than 4,100 MW, plus a portfolio of 22,660 MW in various stages of development in Europe, America and Asia;

MW installed (cumulative)



MW sold in 2010



- Gamesa's end-to-end offering in the wind turbine manufacturing business is evident in the comprehensive range of operation and maintenance services provided by over 2,500 highly-qualified professionals equipped to respond to the need for optimal availability and returns on more than 13,600 MW under maintenance for over 130 clients. Gamesa plans to expand steadily in this market, which adds value to the core business and provides recurring revenues, the goal being to double the size of this area to 24,000 MW under O&M in the next three years.

In the search for new business opportunities and energy solutions that will contribute to sustainable growth in the medium and long term, Gamesa is also developing and analysing new technologies and markets as a means of diversifying its activities with the goal of identifying and investing in innovative companies in the areas of renewable energy, energy efficiency and integration of energies into the electricity grid.

Efficient and profitable

Gamesa attained its guidance in 2010 through efficient, profitable performance despite the persisting uncertainty and the sweeping changes in the industry. The company expanded with the market, maintained margins, and aligned volumes and production with orders. It also invested in growth by expanding production and sales capacity in such markets as China, India and the US, while optimising production capacity in markets which are slowing, such as Spain.

Gamesa ended the year with a net cash position of 210 million euro, after generating 472 million euro in net free cash flow during the year. This was attained through a combination of two strategies: strictly controlling costs and capex, and aligning manufacturing to the schedule of delivery to customers and collections.

The increase in order intake in the final months of 2010 and the expansion of sales efforts during the year led to an order book of 1,414 MW for delivery in 2011 (+25% with respect to 2009 year-end), i.e. 48% of the wind turbine sales guidance for the year (2,800-3,100 MW).

Gamesa's consolidated sales amounted to 2,764 million euro in 2010, affected by the impact of the slowdown in demand and the company's strategy of adjusting manufacturing to delivery schedules.

The wind turbine division sold 2,405 MW, i.e. within the guidance for the year, including a growing proportion of international business, which accounted for 93% of total MW sold, up from 73% in 2009.

In 2010, Gamesa continued to focus on maintaining profitability and a solid financial position through the Cost Improvement Plan, which enabled it to save over 100 million euro in the year, resulting in an EBIT margin of 4.9% in this division (guidance for the year: 4.5%-5.5%) and a working capital/revenues ratio of -1%, well below the expected 20%.

This performance, plus the revival in the wind farm development and sale business, raised consolidated EBIT to 119 million euro. EBITDA amounted to 328 million euro, and net profit to 50 million euro.

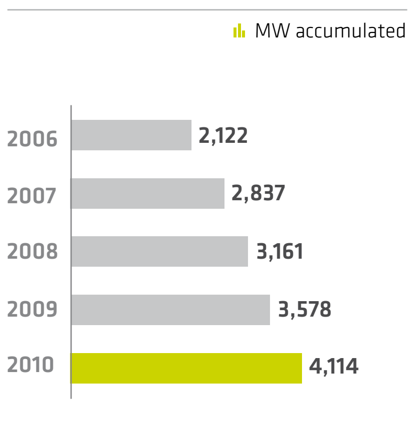
Despite the climate of uncertainty, Gamesa expanded its workforce by 14% in 2010, to 7,262 employees. Gamesa created jobs in all markets, particularly India (where the workforce expanded 5-fold), China (+23.6%) and the US (+18.5%).

Progress in all areas

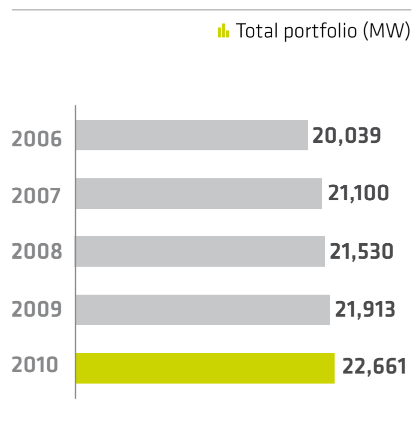
Gamesa registered major progress in all business areas in 2010:

- it expanded its international footprint (93% of MW sold in 2010) and countries with greater wind resources and the fastest-growing economies increased their share of sales;
- commercial efforts focused on new regions and market segments, with the result that Gamesa entered 10 new countries and diversified its customer portfolio with over 20 new accounts;
- in 2010, Gamesa undertook a review of its production capacity, which resulted in the reduction of 500 MW of blade capacity in Spain and an increase in capacity in other countries by investing in growth markets such as China, India and Brazil. In Brazil, construction commenced on Gamesa's first plant in the state of Bahia (300 MW) after the company landed a contract to supply 42 MW to Inveravante and signed a contract to develop 9 wind farms for Iberdrola Renovables, with a total capacity of 258 MW;
- optimising capital expenditure, which nevertheless amounted to 128 million euro in the wind generator division, focused on: manufacturing the new G9X-2.0 MW platform in China, expanding production capacity in China and India, and manufacturing the G10X-4.5 MW unit in Spain;
- in addition to launching two new onshore platforms, Gamesa announced its decision to play a major role in the offshore wind business through an ambitious industrial and technology plan in the UK, and the development of two families of offshore turbines: G11X-5.0 MW and G14X (6-7 MW);

Wind farms developed



Wind farm development and sale



- a growing contribution from the services division: revenues increased by 39%, and MW under operation & maintenance contracts increased by 10%. In 2010, this area accounted for 12% of the wind turbine division's total revenues;
- the wind farm development division experienced an upswing in construction and sales, with the result that it broke even in 2010;
- the wind farm development and sale division expanded, entering new markets such as Poland and Mexico and landing new customers, such as Edison, Ikea and RWE;
- the wind farm business revived in the US and the first wind farm (38 MW) was commissioned there after two years of inactivity; progress was also made with joint development agreements in China.

Cash flow in 2010 and the trading situation at the beginning of 2011 enable Gamesa to undertake its strategy over the next three years from a solid position.

Business Plan 2011-2013

In October 2010, Gamesa unveiled its new Business Plan 2011-2013 in London; it plans to become a benchmark in the wind power industry by offering the lowest cost of energy, while focusing on three vectors: Cost of Energy (CoE), growth and efficiency.

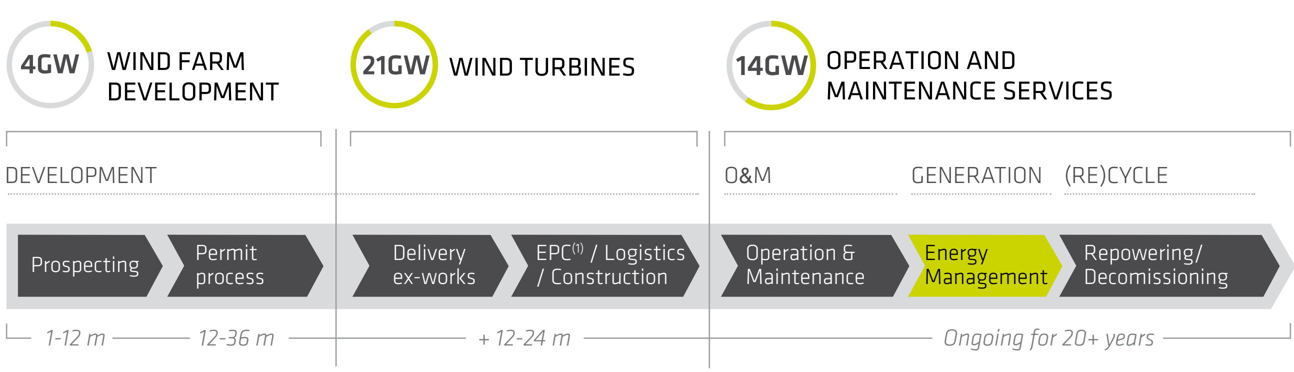
Gamesa adopted this course following a rigorous analysis of the energy business, particularly wind energy, which has undergone a profound, rapid transformation in recent years due to a number of factors; these include the global economic and financial crisis, which has slowed expenditure on new projects and created regulatory uncertainty in some countries; the shift in demand to emerging markets; increased competition, as global and local companies converge in a single market; and the race to reduce the cost of energy.

The market has become increasingly volatile in recent years as a result of regulatory uncertainty in some countries, primarily in southern Europe. In contrast, there are projections for notable growth in the market in the medium and long term, sustained by the worldwide energy shortfall, countries' commitment to combat climate change, the need for more secure energy supplies, normalisation of the onshore wind business in Eastern Europe in the medium term, growth in Asia and other emerging markets (India, Brazil, etc.), and the arrival of the offshore market (expected to take off by 2014/2015).

These changes are also visible in client relationships. There are two main trends:

- Traditional operators (utilities and IPPs) seek reliable, long-term WTM partners that offer expertise along the whole value chain and worldwide support;
- The competitive advantage lies in offering the lowest cost of energy as a combination of capex, O&M costs, performance and availability over a wind farm's useful life.

Gamesa presence throughout the value chain



(1) Engineering, procurement, construction

Not covered by Gamesa

As regards suppliers, large industrial groups (currently Western, but soon to include Asian companies) are steadily increasing market share at the expense of small local operators.

Growth and globalisation

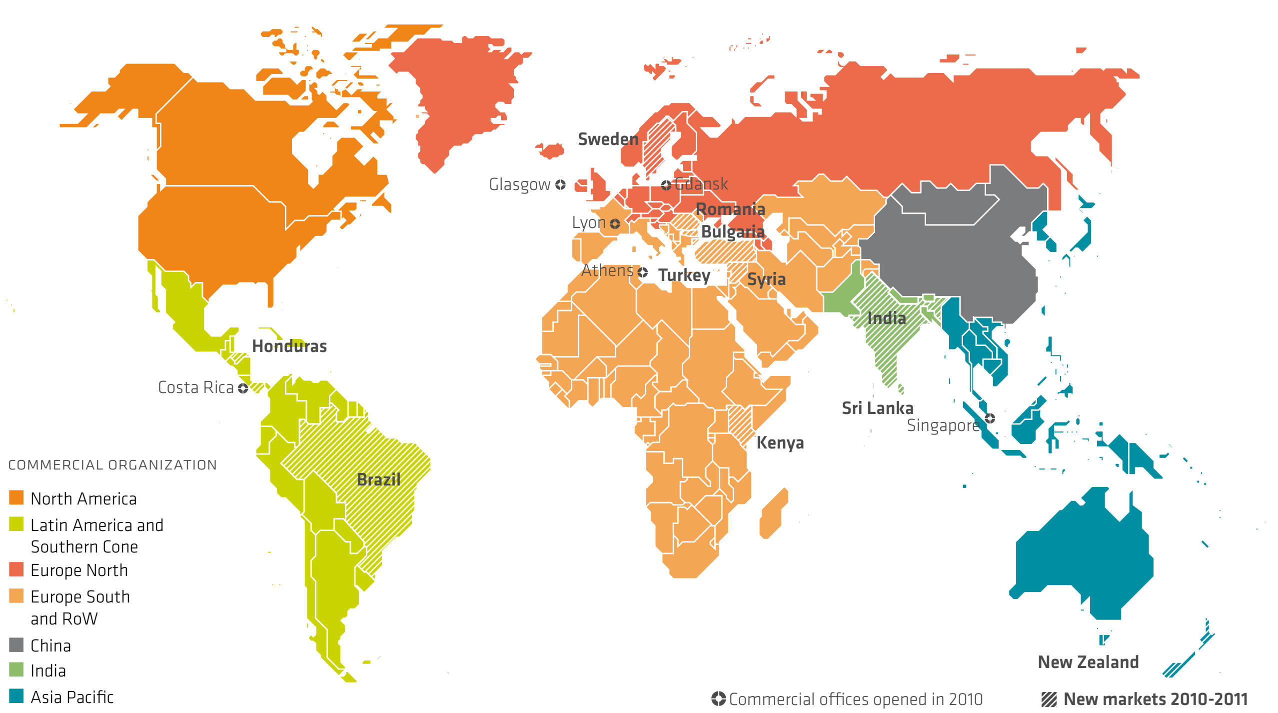
Under the Business Plan 2011-2013, Gamesa will progressively restore growth and recover its main financial and operating figures, enabling it to sell 4,000 MW of wind turbine generators (WTG) in 2013, i.e. a 15% compound annual growth rate. The EBIT margin in the WTG business will be 6%-7% and working capital will amount to 20% of sales under a rigorous policy of aligning production to orders.

Gamesa has announced a period of intense investment to expand its operating capacity and technology lead worldwide, in both onshore and offshore wind power. It plans to invest an estimated 250 million euro per year in the next three years to establish manufacturing capacity where necessary to meet market demand and launch new products, including the development of offshore WTGs, to which it will allocate 150 million euro in 2011-2013 (20% of total capex planned for the period).

Nevertheless, Gamesa does not plan to tap the capital markets; it will maintain a solid financial position, with a net debt/EBITDA ratio of no more than 2.5 in 2011-2013.

The growth strategy devised by Gamesa for the next three years (2010-2013), under which it expects to sell approximately 4,000 MW in 33 markets and double MW under O&M to 24,000 MW, is based on expansion of the global commercial network into new markets and customer segments, access to new products (multi-MW and offshore) and an offering tailored to customer needs.

Resurgence in commercial activity



Gamesa's Tianjin plant, China

Gamesa expects solid growth in the world's main wind power markets. In the period 2009-2013, sales will increase by an annual average of 15% in the US, 20% in China, 166% in India and 50% in Central and South America. However, the company expects sales in Europe to decline in that period, by around 20%, as a result of the market slowdown and regulatory uncertainty, primarily in southern Europe.

Growth in international markets will be driven by a sales strategy that is enabling the company to enter new markets and new customer segments. Gamesa has designed a new commercial structure with 24 field offices in 8 regions worldwide. Its new commercial structure will enable it to access the main wind markets worldwide, reduce its response time, become more agile, and attain a greater local presence.

In the coming years, Gamesa also plans to consolidate its position as one of the world's leading wind farm developers. To this end, it will continue its strategy of monetising its portfolio (currently over 22,600 MW), developing complete wind projects and advancing its wind farm development business in new markets. The company expects to deliver 700 MW/year in 2011-2013.

The operation and maintenance services area will expand via new framework agreements with large utilities and wind farm developers and contracts for the repair and overhaul of large components.

Investing in technology to reduce the Cost of Energy (CoE)

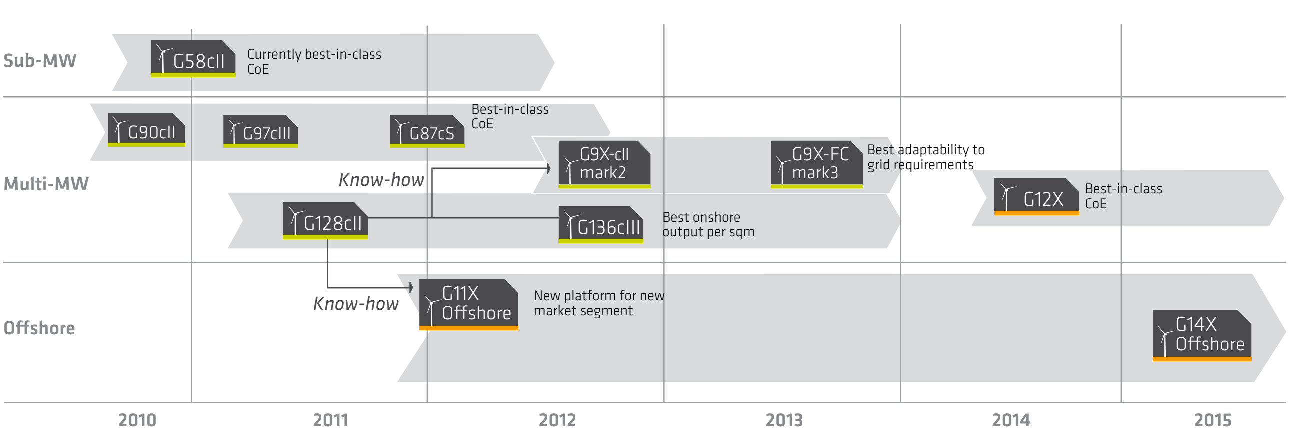
Gamesa's proposal for the next three years includes becoming the industry benchmark in terms of Cost of Energy (CoE) on the basis of reliability, efficiency and availability of its portfolio of products, both present and future, enabling it to reduce CoE for customers by 20% in the next three years and by 30% in the next five.

To this end, the company has launched an ambitious five-year plan to develop three new onshore WTG product families (based on the G9X-2.0 MW and G10X-4.5 MW platforms) and two new offshore platforms (G11X-5.0 MW and G14X-6/7 MW).

Gamesa is working towards the launch of its first offshore platform, the G11X-5.0 MW (prototype available in the fourth quarter of 2012 and due to enter mass production in 2013), as well as the G14X-6/7 MW, which will go into mass production in 2015.

The company has also announced that the UK will be the centre of its offshore wind business, with plans to invest over 150 million euro there by 2014. It will establish an offshore technology centre in Glasgow and will analyse the development of manufacturing, port logistics and O&M capabilities in a number of UK ports, including locations in Scotland.

New product launches



Gamesa's offshore business will have its headquarters in London.

The company will increase engineering hours, double R&D staff by 2013 and open five new technology centres in 2011 (two for offshore) in the USA, Scotland, India, Singapore, and Brazil, to make a total of ten worldwide.

Gamesa will also continue to work on cutting costs and improving availability through innovative approaches to operation and maintenance and a programme to extend WTG life cycles.

Efficiency and progressive industrial reorganisation

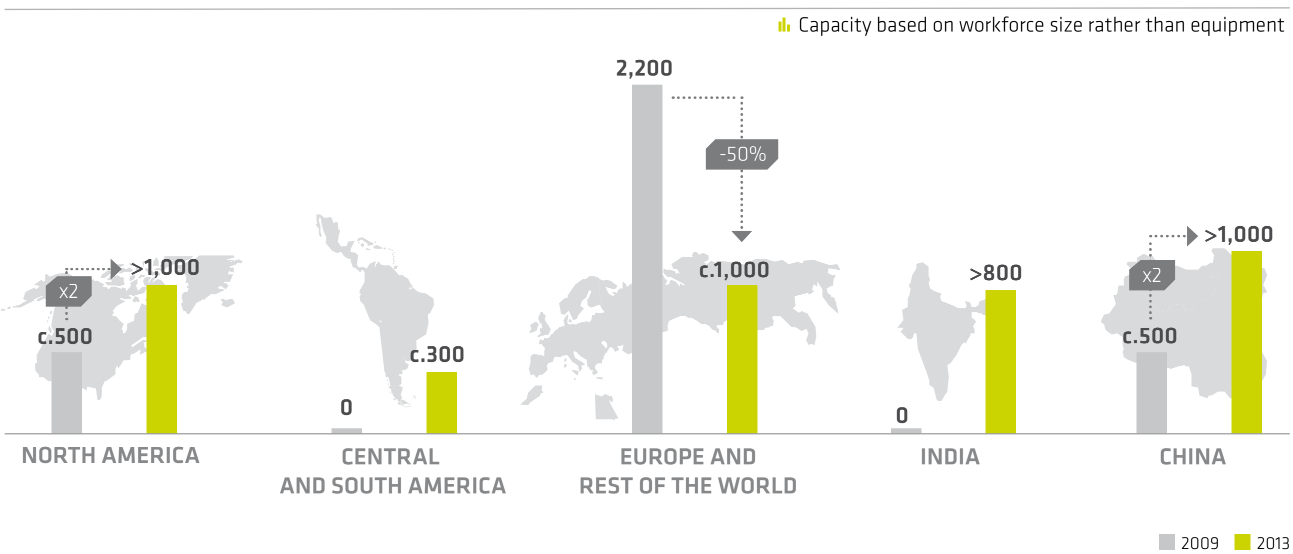
Gamesa's Business Plan 2011-2013 establishes a steady reorganisation of the company's production capacity worldwide based on each market's specific conditions; it will increase investment and its industrial footprint in growing markets (such as India and Brazil) and markets with considerable wind resources (China and the US) while trimming capacity in other markets, such as Spain, where Gamesa plans to reduce production capacity to 1,000 MW by 2013. Gamesa will use the new investments to commence mass production of its new G9X-2.0 MW and G10X-4.5 MW platforms so as to optimise the number of plants and moulds in Spain.

In contrast, effective production capacity will be doubled in the US and China in the period 2009-2013, to over 1,000 MW in each country; Gamesa will also establish up to 300 MW of capacity in Latin America by 2013; and attain 800 MW in India by the end of that same period. Gamesa plans three new plants in India in the next two years.

The search for greater efficiency also involves cutting production and logistics costs; implementing a new integrated global logistics system, which will cut costs by around 13%; and cutting lead times from 12 to 4 months.

Construction processes will also be optimised, and lower value-added supplies will be outsourced to a greater extent.

Effective blade manufacturing capacity, 2009-2013 (MW)



Obama at Gamesa

The President of the United States, Barack Obama, visited the Gamesa nacelle plant at Fairless Hills, Pennsylvania, on 6 April 2011. Obama met with the workers and discussed how to build an economy based on clean energy in order to improve our future.

Obama's visit—his second in recent years, but his first as President—was part of a campaign to explain his energy plan, which aims to diversify the country's energy mix and ensure a safer, cleaner energy model in the future while protecting the economy and consumers from increases in fossil fuel prices.

WIND POWER WORLDWIDE

Installed wind capacity worldwide increased by 24% in 2010 following the installation of 38.2 GW, according to a report by the Global Wind Energy Council (GWEC); moreover, for the first time, over half of the new capacity was installed outside the traditional markets (Europe and North America), with China being the fastest-growing market. China installed 18.9 GW and now has 44.7 GW installed, surpassing the US as world leader in wind capacity.

Other developing countries also increased wind capacity during the year, including India, Brazil, Mexico, Egypt, Morocco and Tunisia, showing that the technology is expanding beyond its traditional markets. The GWEC expects this trend to continue, not only in Asia but also in Latin America, especially Brazil and Mexico, as well as in North Africa and sub-Saharan Africa.

Total installed capacity worldwide reached 197 GW, up from 158.9 GW in 2009. The GWEC estimates that the wind turbine generators installed in 2010 represented an investment of 47.3 million euro.

Need for more funding

In its report, GWEC also highlighted the effects of the financial and economic crisis on the market, whose growth slowed in 2010 for the first time in 20 years.

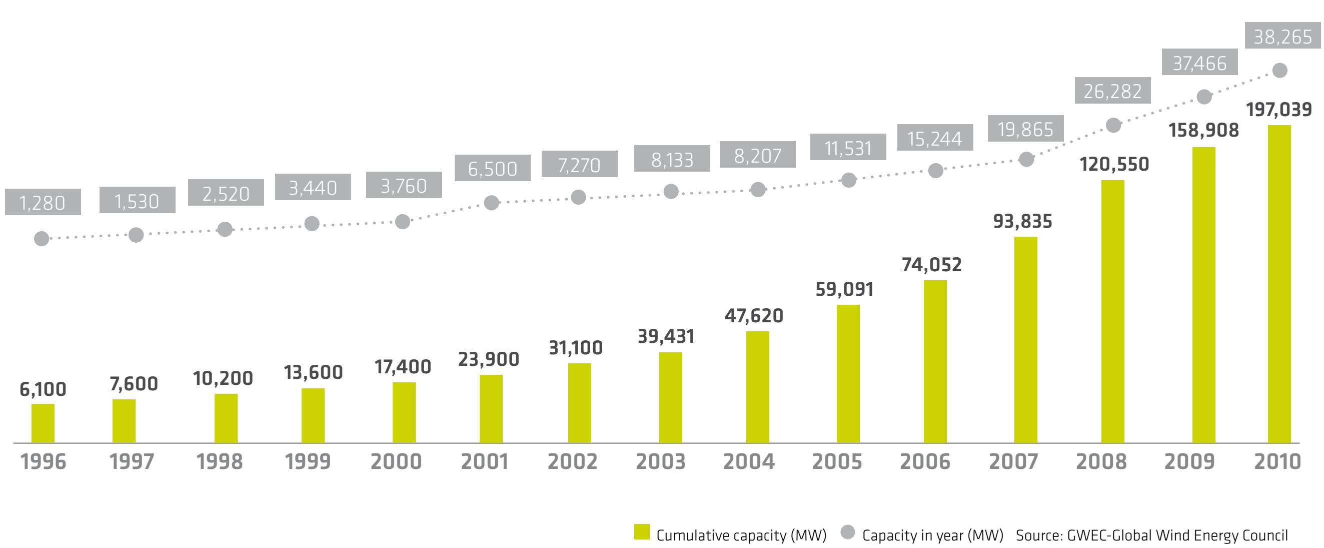
The volume of new MW installed in the US halved in 2010 to 5 GW (compared with 10 GW in 2009).

In Europe, a total of 9.9 GW were installed in 2010, i.e. 7.5% less than in 2009, even though offshore wind capacity grew 50% in such countries as Britain, Denmark and Belgium.

Leading authorities in the wind energy field commented on this situation; Christian Kjaer, chief executive of EWEA: "Better access to financing is urgently needed, and the European Union must act without delay to prevent Europe losing its leadership in wind power and other renewable technologies."

The EWEA highlighted expansion in the wind energy markets in Romania, Poland and Bulgaria, but said that it did little to offset setbacks in Spain, Germany and the UK. Wind power accounted for 17% of new installed capacity in 2010, the first year since 2007 in which wind was not the largest single category of new capacity.

World installed wind capacity (1997-2010)



Source: GWEC-Global Wind Energy Council

The year 2010 was particularly difficult for the wind sector in Spain, where growth slowed: 1,515.95 MW were installed, i.e. increasing installed capacity by 8% with respect to 2009, the smallest increase in absolute terms since 2003. Through 2010, Spain had installed 20,676.04 MW, roughly in line with the goal set in the Spanish government's Renewable Energy Plan 2005-2010.

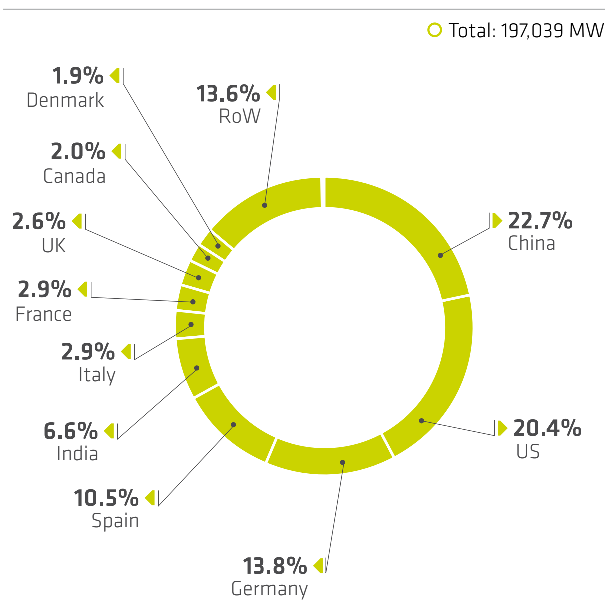
The Spanish Wind Energy Association (AEE) had warned that this situation would arise in 2010 because of the Pre-Assignment Register that was introduced in mid-2009. The situation was exacerbated by uncertainty caused by the lack of a regulatory framework governing the industry after 2013 and by the economic crisis; the overall result was that orders slowed, leading to job losses basically in the wind turbine manufacturing business.

A total of 3,000 MW which have attained pre-assignment are pending installation in 2011 and 2012. After that, it is not clear what feed-in tariff will be paid for wind energy or what the legal framework will be; consequently, this is putting a brake on wind farm construction for the medium term. Like all European Union countries, Spain is committed to the objective that renewable sources account for 20% of final energy consumption by 2020; wind will play a critical role in achieving this objective.

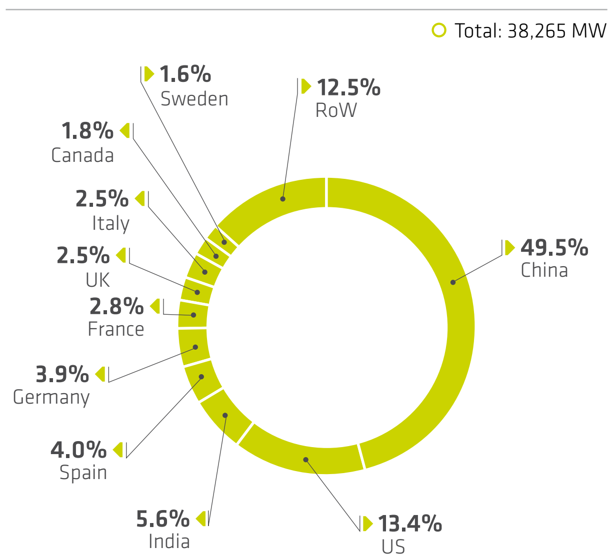
Nevertheless, electricity generated from wind totalled 42,976 GWh in Spain in 2010, the first time that Spain has outstripped Germany (36,500 GWh) as the Europe's leading producer of wind power, according to the EurObserv'ER barometer.

Wind covered 16.4% of Spain's electricity demand in 2010, contrasting with 6.2% in Germany. March 2011 marked an all-time record in terms of wind output: 4,738 GWh according to REE, covering 21% of demand.

Accumulated capacity through 2010



New capacity installed in 2010



Source: GWEC-Global Wind Energy Council

Wind turbines


BINES
Gamesa
90T
Gamesa
Gamesa
Gamesa

Wind Turbines

Gamesa's strategy is focused on strengthening and expanding its position in target countries, gaining new customers, expanding its sales network and production capacity in growth markets, and innovating in the design and development of new platforms in order to set the industry benchmark in terms of the lowest Cost of Energy (CoE).

More than fifteen years' experience and the installation of close to 21,000 MW in over thirty countries have made Gamesa a global technology leader in the wind industry. The company has strong manufacturing capacity in the major wind power markets and its medium-term strategy in this segment is focused on consolidation and growth in target countries and among new customers, who will be served by a growing sales network, selective expansion of production capacity in growth markets and innovation in design and technology for new platforms (onshore and offshore), as well as in manufacturing processes and logistics, with the aim of setting the benchmark for the lowest Cost of Energy (CoE).

The company has its own wind turbine design and development capacity and it is vertically integrated; Gamesa covers the entire process from conception, manufacturing and installation of wind generators, including manufacturing of blades, moulds, blade roots, multipliers, generators, converters and towers, as well as assembly, logistics and installation.

Gamesa has more than thirty production facilities in Spain (supplying mainly the European market), the US, Asia (China and India) and Brazil (since mid-2011). Its sales network, distributed in 8 regions and 24 sales offices worldwide, covers many European countries (Bulgaria, Denmark, France, Germany, Greece, Italy, Poland, Portugal, Romania, Turkey and the United Kingdom), North America (USA and Mexico), Brazil, China, India, Japan, Singapore and several North African countries such as Morocco and Egypt.

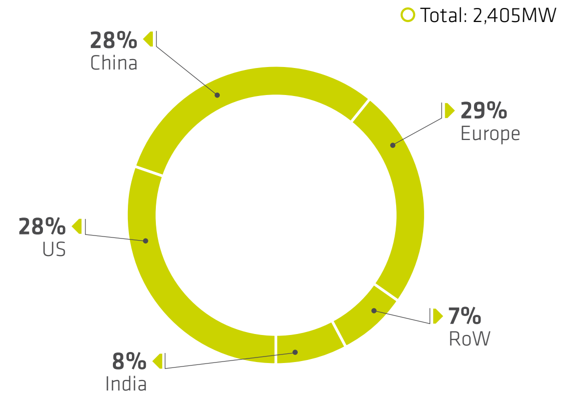
In 2010, Gamesa's wind turbine division evidenced its ability to adapt to reduced demand in most markets caused by the global financial situation, which slowed order intake as a result of difficulties in obtaining credit. In Spain, the introduction of the Pre-Assignment Register and the regulatory uncertainty has practically halted wind turbine manufacture since the second half of 2009. Nevertheless, Gamesa retained its lead in Spain, which is one of its core markets.

In this context, the company focused on operating efficiency, maintaining margins and matching the pace of manufacturing with orders with a view to maintaining exhaustive control of working capital, managing costs and optimising production capacity.

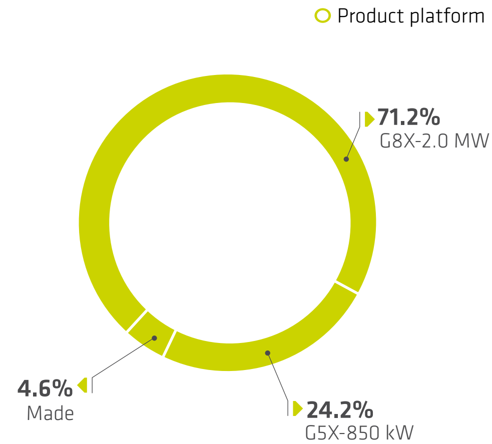
Growing global presence

Gamesa remains committed to growth in target countries, in line with market evolution and synchronised with expansion by its main customers, and it is expanding manufacturing capacity in growth regions as well as developing its platforms locally.

MW sold in 2010



MW sold in 2010



Gamesa sold 2,405 MW in 2010 and signed orders for 1,996 MW in the second half of the year as demand revived and its international sales network was deployed. Deliveries increased by 11% to 2,685 MW.

Gamesa continued to internationalise; as a result, international markets accounted for 93% of MW sold, compared with 73% in 2009.

Countries with greater wind resources and the fastest-growing countries increased their share of sales: the United States continued to increase its share of total sales to 28% (15% in 2009), despite the sharp slowdown in new installations in this market in 2010; China consolidated its share of 28% (15% in 2009), and India accounted for 8% of total sales in Gamesa's first year in that country. Spain accounted for just 7% of sales, down from 27% in 2009; the rest of Europe accounted for 22%, and the rest the the world for 7%.

As part of the strategy of expanding sales into new regions and new customer segments, in 2010 Gamesa entered ten new countries (Brazil, Bulgaria, Costa Rica, Honduras, India, Kenya, Romania, Sri Lanka, Sweden and Turkey) and diversified its customer portfolio with over 20 new accounts, including electric utilities, IPPs, financial investors and industrial groups.

Specifically, in Brazil, Gamesa will supply Inveravante with 42 MW for the Paracuru Dunes wind project, in the State of Ceará. The contract provides for the installation of 21 G87-2.0 MW wind turbines in the second half of 2011. Two months earlier, Gamesa signed a deal to supply a total of 258 MW in 2011-2012 for nine wind farms to be developed in Brazil by Iberdrola Renovables between 2011 and 2012.

In Honduras, Gamesa and Iberdrola Ingeniería y Construcción were awarded the construction of a 102 MW wind farm in Cerro de Hula. The farm will be funded by the US Export-Import Bank and the Central American Bank for Economic Integration. In 2011, Ex-Im Bank named Gamesa Renewable-Energy Exporter Of The Year.

Gamesa also landed other contracts in 2011 in markets where it is already established: Europe, the US and China.

In Mexico, it signed a long-term agreement to supply all the turbines for 1,000 MW of wind farms being developed in Baja California by Cannon Power Group, one of the leading renewable energy developers in the United States. Under the agreement, which is exclusive for 10 years, Gamesa will also provide support and maintenance services.

More capacity in developing markets

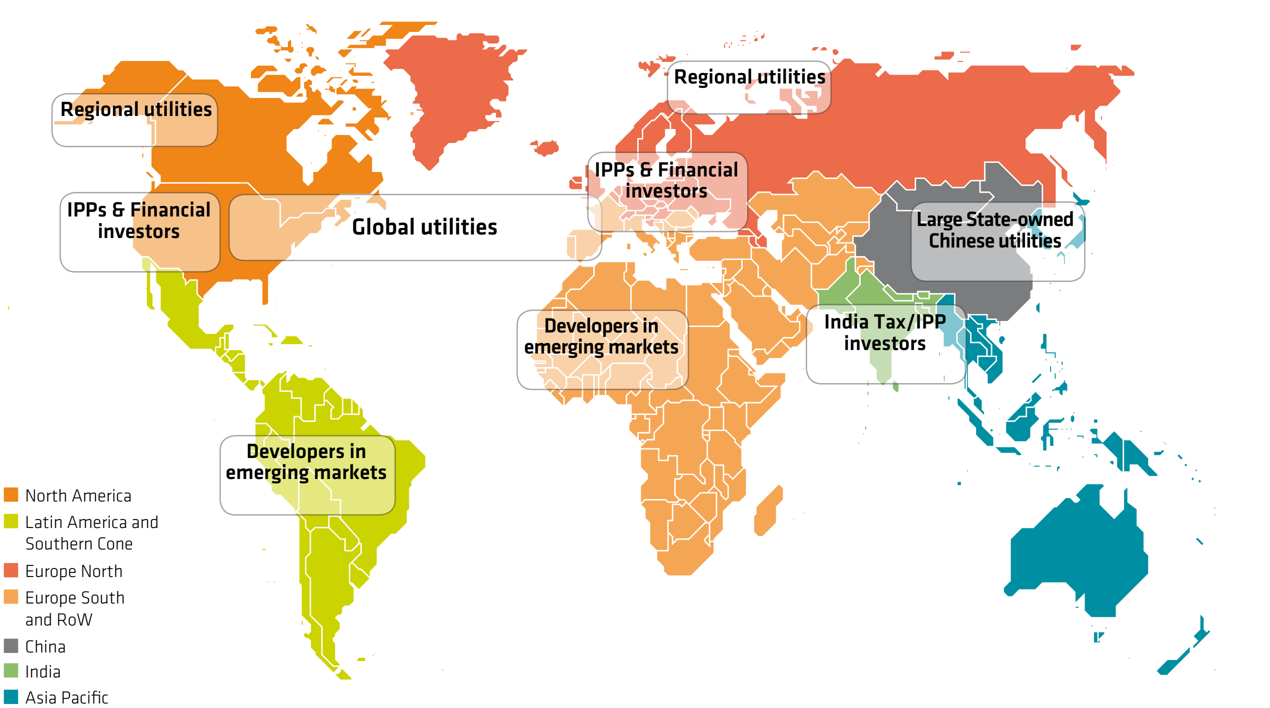
In 2010, Gamesa undertook a review of its production capacity which resulted in the reduction of 500 MW of blade capacity in Spain (Alsasua and reduction of capacity at Somozas) and an increase in capacity in other countries by investing in growth markets such as China, India and Brazil:

- the company ended the year with 1,000 MW of local manufacturing capacity in China (G5X-850 kW and G9X-2.0 MW platforms). It has also started construction of three new plants in Tianjin, Jilin and Inner Mongolia, which are scheduled to be completed in 2011;
- the process of industrialisation in India that commenced in 2009 (200 MW in Chennai) advanced much faster than expected given the need to respond to strong demand growth, and assembly capacity was close to 500MW by year-end.Gamesa plans to expand its manufacturing capacity in this market in the coming years, following the announcement of an investment of more than 60 million euro through 2012 in the installation of three new production facilities: a blade plant, with initial capacity of 300 MW for the G5X-850 kW platform and for the G9X-2.0 MW platform in the future, and another two of nacelles and towers;
- in Brazil, Gamesa has begun construction of a nacelle assembly plant in the state of Bahia (300 MW). Gamesa will use Brazil as an industrial and operations base from which to expand into other countries, such as Argentina, Chile and Uruguay, where the company has new wind projects planned in the coming years.

Benchmark in terms of Cost of Energy (CoE)

In its Business Plan 2011-2013, Gamesa proposes to become the industry benchmark in terms of Cost of Energy (CoE) on the basis of reliability, efficiency and availability of its portfolio of products, both present and future, enabling it to reduce CoE

Sales organisation and customer segmentation



for customers by 20% in the next three years and by 30% in the next five.

Gamesa envisages a period of intensive investment to expand its worldwide operating capacity, launch new products and strengthen its technology lead, in both onshore and offshore wind power.

The company has launched an ambitious plan to develop three new onshore WTG product families and two new offshore platforms (G11X and G14X).

Gamesa will also increase engineering hours (to 1.5 million hours/year), double R&D staff by 2013 and open five new technology centres by the end of 2011 in Virginia (US) and Glasgow (UK), both focused on offshore, as well as India, Singapore (advanced materials research) and Brazil, to make a total of ten worldwide.

Comprehensive product portfolio

During the year, Gamesa continued working to enhance the features of its turbine platforms for different types of sites, and it also launched new turbine models to create one of the most comprehensive product ranges in the wind business.

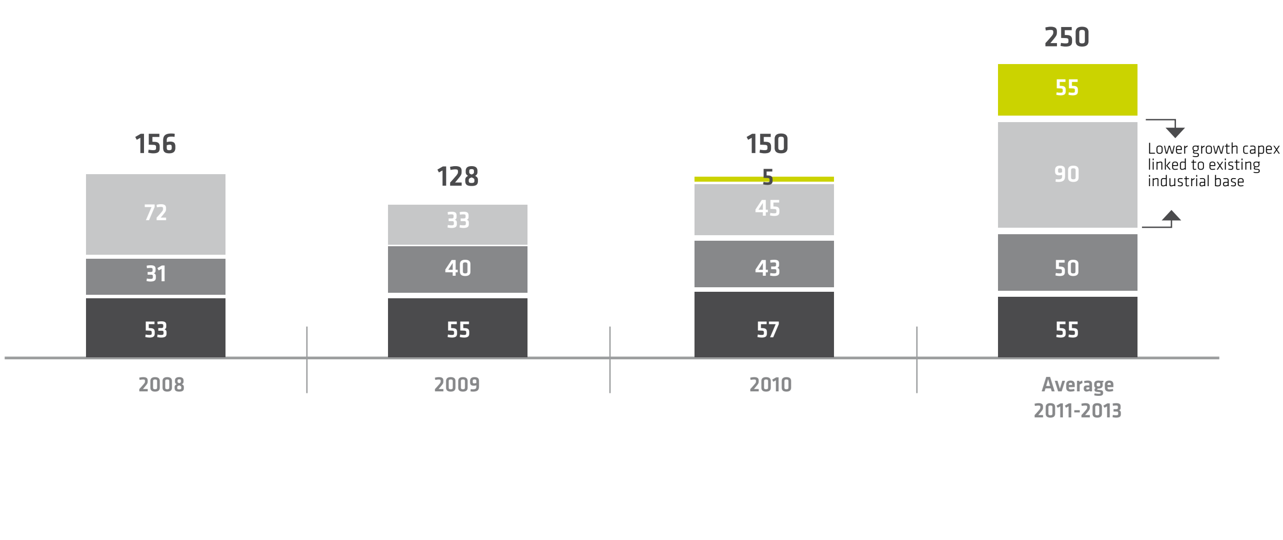
At the HUSUM WindEnergy fair in Germany in September, the company unveiled its new Gamesa G9X platform, a 2.0 MW wind turbine with five rotor sizes (80, 87, 90, 94 and 97 metres in diameter), making it the most versatile product on the market, capable of maximising output for any type of site.

Notable features of the new platform:

- aerodynamic blade tip and Gamesa NRS® control system to ensure maximum output with minimum noise;

Investment in production plant and product platforms

Tangible Capex and R&D (Euros million)



- variable pitch and speed to maximise power production;
- Gamesa active yaw system to optimise adaptation to complex terrain;
- Gamesa WindNet®: a remote control and monitoring system via the web;
- Gamesa SMP: proprietary predictive maintenance system; and
- Technology solutions to ensure compliance with the main specifications for connection to power grids worldwide.

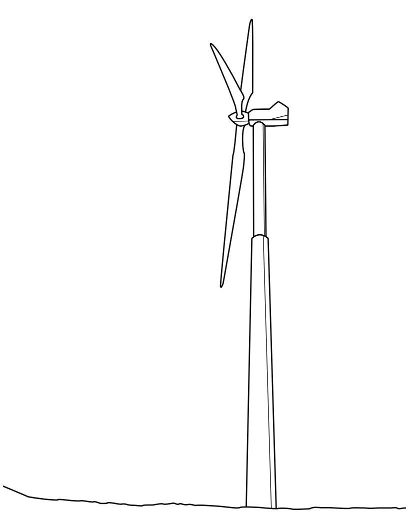
The G9X-2.0 MW also includes improvements in performance (better power curve and noise levels), as well as a new image with a streamlined nacelle and improved cooling inside the nacelle.

The launch of the new platform has begun with commercialisation of the G90-2.0 MW, Class IIA, G94-2.0 MW Class IIA and G97-2.0 MW Class IIIA models, the latter for low wind sites, which Gamesa expects to account for more than 50% of demand in the 2 MW category. The G97-2.0 MW has a swept area 16% larger than that of the current G90 and produces nearly 14% more power.

A few months later, Gamesa launched the new G136-4.5 MW Class III wind turbine, designed especially for sites with low wind. This turbine rounds out the latest range to be launched by Gamesa and shares the same design criteria as the G128-4.5 MW Class IIA,

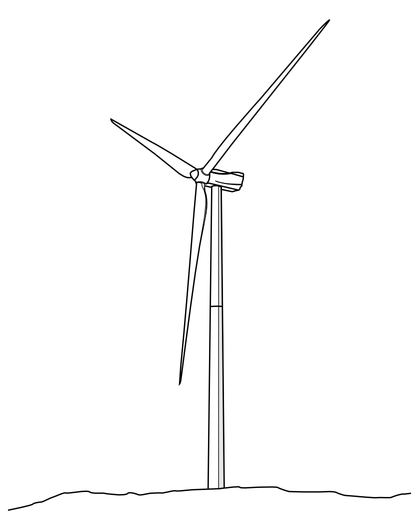
Gamesa platforms

G10X-4.5 MW



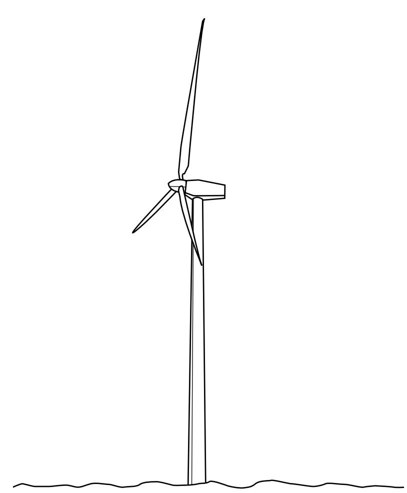
Lower cost of energy but as easy to ship and install as a 2.0 MW turbine

G9X-2.0 MW



The most versatile platform in the market (rotor diameters of 80, 87, 90, 94 and 97 metres) offering the highest output in any location

G5X-850KW



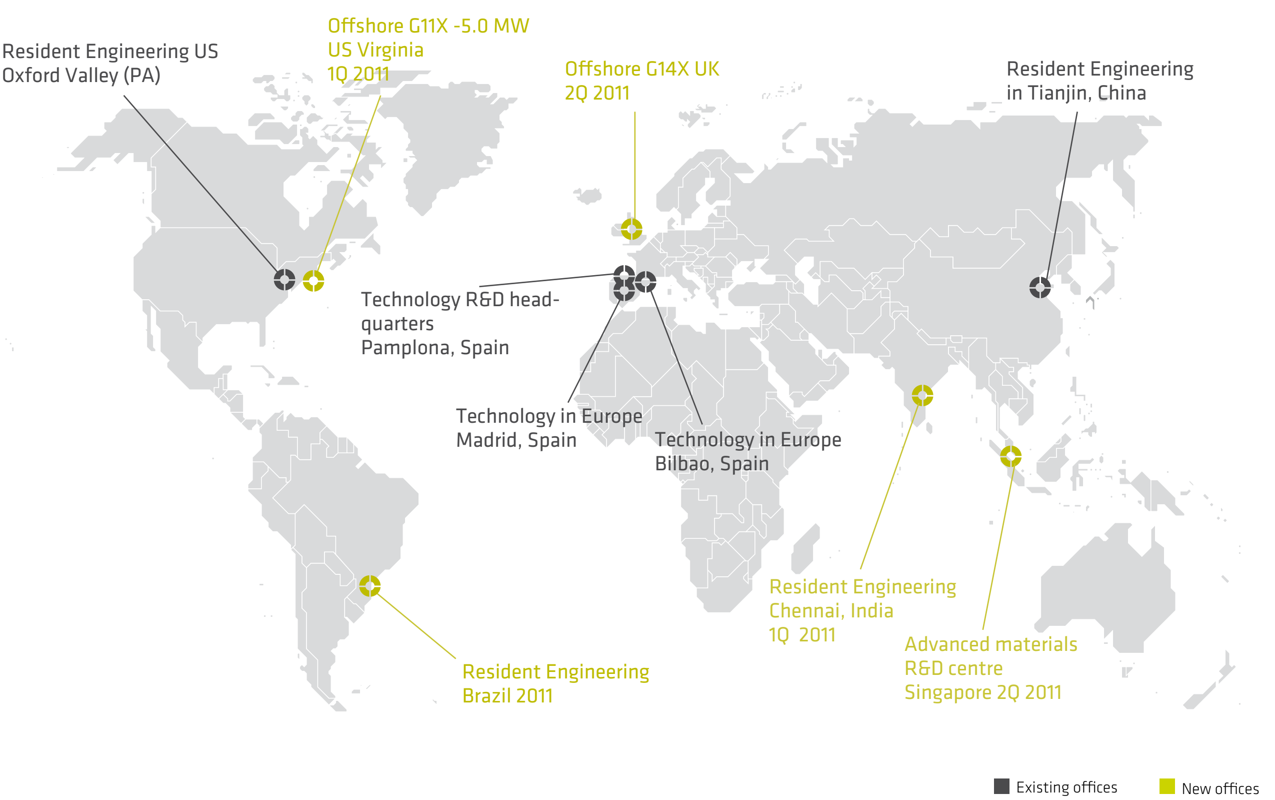
Maximum performance in locations with low winds (G58), medium and strong winds (G52) and even complicated terrain including a minimum cost of energy and a modular design (a unique 66.5 metre segmented blade), which makes it as easy to transport and assemble as a 2.0 MW turbine and simplifies maintenance.

With a rotor diameter of 136 metres and a 120 metre hybrid tower, this model has all the innovative technologies developed by Gamesa for the G10X-4.5 MW platform: Innoblade®, Multismart®, ConcreTower®, CompacTrain®, GridMate® and FlexiFit® (the latter is a crane that is self-installable on the nacelle and is validated and certified to be able to hoist the main components of the turbine).

Its swept area of 14,527 m² is 13% more than that of the G128-4.5 MW and it can produce up to 8% more power than that model at low wind sites.

In 2010, Gamesa also received the GL Renewables Certification for the G90-2.0MW Class II and the G52-850 kW Class I, 60 Hz (the latter for more complex sites); this will enable the company to address emerging markets such as Central and South America and East Asia.

Network of technology centres



Progress in offshore wind power

In the last eighteen months, Gamesa has declared its intention to play a leading role in the offshore wind power market.

With a view to participating in offshore projects in the medium term, the company is working on the design and development of two offshore wind platforms: G11X-5 MW (based on proven multi-MW technology that was validated on the G10X-4.5 MW platform) and G14X (6-7 MW). The first two prototypes of the G11X-5.0 MW platform will be tested in the last quarter of 2012, and the pre-series will be ready in 2013. The G14X pre-series is scheduled for 2014.

Gamesa plans to make the UK the centre of its worldwide offshore wind business, with over 150 million euro of investment there by 2014.

The plan consists of the following specific steps:

- construction of a blade production plant in the UK and development of offshore logistics and O&M operations at a number of UK ports, around which it will locate its wind turbine O&M operations. Gamesa is currently examining a number of locations in England as well as Dundee (Scotland), subject to there being wind projects in the environs;
- installation of an offshore technology centre in Glasgow (Scotland);
- Gamesa will locate the offshore wind business headquarters in London, from where it will engage in sales, project development, finance and management activities.

Gamesa will also establish a sales office in Hamburg to attend to projects under development in Germany, The Netherlands and Belgium.

Gamesa estimates that the construction and development of its offshore wind business in the UK will create over 1,000 direct jobs and another 800 indirect jobs at local suppliers.

Complementary leaders

In October 2010, Gamesa reached an agreement with Newport News Shipbuilding, a division of Northrop Grumman Corporation, the leading US defence contractor and America's largest shipbuilder, to work together on offshore wind technology; the agreement provides for commissioning of the first offshore prototype of the Gamesa G11X-5.0 MW turbine in the US, based on Gamesa's multi-MW technology and Northrop Grumman's extensive experience in marine environments.

The alliance combines Gamesa's experience and know-how as a leading technology company in wind power with Northrop Grumman's expertise in logistics of heavy loads, performance and reliability systems, and marine technology applications.

In 2011, Gamesa signed an agreement to supply utility E.ON with an offshore prototype of its G11X-5.0 MW platform in 2012. The agreement also includes the provision of one, and possibly two, Gamesa G128-4.5 MW wind turbines for an E.ON site in Europe. Gamesa will undertake the transport, installation and commissioning of the turbines in 2012.

Other offshore projects

In Spain, the company has signed a technology cooperation agreement with the Catalan Institute for Energy Research (IREC) to request four positions to install its wind turbines in the ZÈFIR Test Station offshore wind testing plant in Tarragona.

It is also coordinating the Azimut technology project entitled Energía Eólica Offshore 2020, along with eleven companies and 22 research centres specialized in technology for offshore wind energy, with the aim of generating the knowledge needed to develop a large offshore wind turbine (15 MW) entirely with Spanish technology.

Main contracts in 2010

- 120 MW in the US for Western Wind Energy Corporation
- 251 MW in China for Guangdong Nuclear, Datang Renewable Power and Henan Weite Wind Power
- 20 MW in Turkey for Kiroba Elektrik Uretim
- 42 MW in Brazil for Inveravante
- 102 MW in Honduras for Mesoamerica Energy
- 8 MW in New Zealand for Pioneer Generation
- 140.6 MW in Spain for Esquilvent

Erecting the G10X-4.5 MW prototype. Jaulín, Spain

Development and sale of wind farms


NT

Wind farms development and sale

In addition to its renewable energy manufacturing activities, since 1995 Gamesa has also developed wind farms, enabling it to leverage its expertise in the areas of construction, development and sales.

By the end of 2010, Gamesa had completed over 170 wind farms in 11 countries, with a total installed capacity of 4,100 MW, and another 22,661 MW in various stages of development in Europe, America and Asia.

Gamesa's wind farm development division undertakes all the activities associated with wind generation projects, including site identification, wind measurement, obtaining the necessary permits and licenses for wind farm construction and commissioning, final sale of wind farms, and operation and maintenance of operational farms.

The company's strategy in this segment is strengthening its position in areas with high energy consumption, expanding in emerging markets and obtaining new customers, steadily building out its portfolio (alone or through alliances with local partners) and rotation of assets (through recurring farm sales) depending on projects' earnings visibility and profitability and on the basis of the needs of its customers: large utilities that need to expand in new markets; local developers or industrial groups that need know-how and wish to share risks and funding in the process of wind farm development, and financial institutions seeking returns and experience in the sector.

696 MW installed

The division was very active building and selling wind farms in 2010; it delivered a total of 593 MW.

In 2010, Gamesa completed the installation of a total of 26 wind farms with 696 MW of total installed capacity in Europe, the US, China and India; it also commenced construction of 767 MW.

The wind farm business revived in the US and the first wind farm (38 MW) was installed there after two years of inactivity; Gamesa also moved into the wind farm construction business in Greece and is expanding its presence in emerging markets such as China and India.

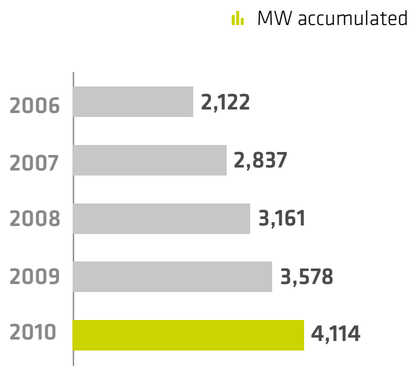
Gamesa continued to strengthen its presence in target markets where it has a long-standing presence, including Spain, Portugal, Italy, Germany, Greece, France, Bulgaria, Romania, Sweden, the UK, the USA, the Dominican Republic and China.

More markets and new customers

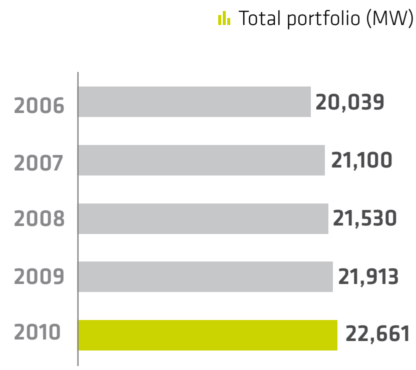
During the year, the wind farm development division expanded its geographical scope by developing its first farms in Poland, Mexico and India; it also expanded its customer base by selling farms to Edison, Ikea and RWE.

In August, Gamesa completed the sale to Edison of the San Francesco farm (26 MW) in the region of Calabria (Italy); one month later, it closed the sale of six wind farms (45.05 MW in total) in Germany to Ikea. Gamesa also sold the Piecki wind farm (32 MW, in north-eastern Poland) to RWE Innogy GmbH and HSE Regenerativ.

Wind farms developed



Development and sale of wind farms



Gamesa also plans to begin construction of 108 MW in Poland in 2011. Elsewhere in Eastern Europe, including Romania and Bulgaria, the company is developing over 1,000 MW.

Expansion in emerging markets

The company also made major progress in its strategy of expansion into emerging markets. Gamesa continues to sign joint development agreements with the leading Chinese utilities, while in India it commenced construction of 308 MW and commissioned 160 MW in the Elevanthy wind farms, Elevanthy OQ1, Elevanthy OQ2, Kadamalaikundu 10, Kadamalaikundu OQ1, Kadamalaikundu OQ2, Kongalnagaram, Malayankulam OQ and Spirangapuram.

Gamesa commissioned wind farms in China (256 MW) in the Shandong, Liaoning and Inner Mongolia regions. It also reached strategic agreements for the joint development of 1,315.3 MW between 2010 and 2013 with two major Chinese utilities: Guangdong Nuclear Wind and Datang Renewable Power.

At the end of 2010, this area had joint development agreements in place for 2,426 MW in China.

Strategic agreement with Longyuan

During the early months of 2011, Gamesa signed two new agreements with Guangdong Nuclear Wind Power and China Huadian New Energy Development to jointly develop a total of 600 MW of wind projects in the Chinese provinces of Jilin and Inner Mongolia. Gamesa also made a major leap in its trade relations with China as it was chosen by utility Longyuan—the world's third-largest wind farm developer—as a partner to develop wind projects outside China.

This strategic cooperation agreement, the first signed by Chinese and Spanish companies in the wind sector, covers prospection of sites for the joint development of wind farms in such markets as the US, Europe and Latin America.

Gamesa and Longyuan will consider wind projects that have already been identified by Gamesa and are included in its development portfolio, as well as others in strategic markets.

In 2010, Gamesa had a total backlog of 22,661 MW of wind farms at various stages of development in Europe, America and Asia. It also had 396 MW in the final stages of construction and commissioning in Europe and the US, as it progressed with the development of the most visible part of the pipeline.

In the coming years, the company plans to consolidate its position as one of the world's leading wind farm developers. To that end, it will continue to monetise its portfolio of operational wind farms by delivering 700 MW per year between 2011 and 2013 in three of its main markets: China, the US and Europe.

Wind farms completed in 2010: 696 MW

- Europe: 243 MW in Alto de la Degollada, Los Lirios, Conesa II, Savallá, Flavin la Bouleste, San Francesco, Zettingen II, Moreac, Belrain and Piecki
- China: 256 MW in Taipingshan I, Tangwanshan, Meiguiying I, Shiyingzi, Zhangjiachan and Liuwangzuang
- India: 160 MW in Elevanthy, Elevanthy OQ1, Elevanthy OQ2, Kadamalaikundu 10, Kadamalaikundu OQ1, Kadamalaikundu OQ2, Kongalnagaram, Malayankulam OQ and Spirangapuram
- USA: 38 MW in Chestnut Flats

Wind farms commenced in 2010: 767 MW

- Europe: 268 MW in Savallá, Conesa II, Zettingen II, Belrain, Souvigne, Ellenserdamm, Weibern-Rieden I, Fanbyn II, Panagia Soumela, Zoodohos Pigi, Pelplin, Taciewo, Zuromin I, and Viotía
- China: 136 MW in Zhangjiachan, Liuwangzuang and Changgao
- India: 308 MW in Elevanthy, Elevanthy OQ1, Elevanthy OQ2, Kadamalaikundu 10, Kadamalaikundu OQ1, Kadamalaikundu OQ2, Kongalnagaram, Malayankulam OQ, Spirangapuram, Pedappamapati and Rasipalayan
- USA: 56 MW in Chestnut Flats and Sandy Ridge I

Value creation stages

Wind power projects

STAGES	GAMESA PRODUCTION CYCLE					CUSTOMER PRODUCTION CYCLE
	DEVELOPMENT			INSTALLATION		OPERATION PHASE
ACTIONS	Site prospection	Wind measurements	Permits	Civil engineering	Wind turbine assembly	Operation and maintenance contracts handled by Gamesa
DURATION	6 months	2 years	1 year	4 months	2-3 months	
	3 - 4 years			6-9 months>		>20 years

Andévalo complex. Huelva, Spain

Operation and maintenance services


ERVICES

Operation and maintenance services

Gamesa's end-to-end offering in the wind turbine manufacturing business is complemented by a comprehensive range of operation and maintenance services provided by over 2,500 highly-qualified professionals equipped to respond to the need for optimal availability and returns on nearly 14,000 MW that were under maintenance in 2010 for over 130 clients.

Gamesa's growth strategy includes steadily expanding in this market, which adds value to the core business and provides recurring revenues, the goal being to double the size of this business to 24,000 MW under O&M by 2013.

Operation and maintenance are essential to value creation, availability and optimal returns on wind farms because they contribute to:

- optimising wind farm output and returns by maximising availability;
- guaranteeing a useful life, in optimal conditions, of at least 20 years (generator life cycle); and even extending its useful life through a programme of improvements and adaptations implemented in the final years of the life cycle;
- compliance with changes in existing technical standards or new technical or economic regulations.

Gamesa conducts these increasingly technical activities with the following resources:

- 2,500 professionals, in-house and at specialised suppliers;
- more than 30 Regional Operating Centres in Europe (Spain, Portugal, France, Germany, Italy, Ireland, the UK, Greece, Poland, Hungary, Bulgaria and Romania), the US, Mexico, Asia (China, India and Japan) and Africa (Morocco, Tunisia and Egypt), which guarantee proximity and permanent availability of the wind farms under maintenance;
- remote control facilities in Spain, the US, Italy and Germany which enable operators to view turbine operating parameters in real time and take steps to maximise availability;
- a logistics network of central and regional warehouses with a stock of spares (guaranteeing spare part availability in the shortest possible time) to feed a total of 366 on-site stores at wind farms;
- an engineering department which analyses new product performance and designs and implements the necessary adaptations to maximise results in operation;
- proprietary tools for wind farm management and monitoring;
- incorporation of the MEGA proprietary weather forecasting system; based on over six years of development and experience, it provides very accurate 7-day forecasts so as to optimise maintenance schedules and tailor them to periods of low wind; and
- a satellite-terrestrial network with global coverage.

In 2010, Gamesa provided operation and maintenance services for over 13,600 MW owned by more than 130 clients on four continents.

In the last few months, the company has undertaken a process of transformation in its operations area to adapt to the new industry situation (now more selective and demanding in terms of performance and flexibility); as a result, the services area has focused on three core objectives: reduce total operating costs, increase wind farm performance, and improve wind turbine availability .

To attain those goals, the division has undertaken the following initiatives:

- continuous improvement of reliability in the G8X-2.0 MW and G9X-2.0 MW platforms to raise availability to 99%;
- deployment of the repair circuit, for both large and small components, in the main geographic regions;
- optimisation of preventive maintenance programmes through the use of Reliability Centered Maintenance (RCM) techniques;
- application of predictive maintenance to minimise corrective maintenance on large components;
- implementation of a new partnership approach with suppliers and subcontractors, leveraging and internationalising experience in operations;
- development of technologically advanced solutions for older models to adapt them to new regulations and improve maintenance costs for the remainder of their operating lifetime;
- development of solutions to improve efficiency in all wind turbine models.

Exclusive web site for clients

Gamesa has advanced in its client-centred approach by creating an exclusive website for operation and maintenance clients. Gamesa's new services website provides clients with quick, easy-to-use customised information and tools on basic aspects of operation and maintenance of windfarms worldwide:

- These include reports on the client's wind farms that are operated and maintained by Gamesa: technical data, RCA, maintenance, availability, contractual aspects, etc.;
- a single point of access to the full range of windfarm management tools: GIC (actions on the generator), SCPE (real-time information on individual generator status), WebMEGA (weather forecasts), technical documentation, etc.;
- training: certified courses and seminars on wind technology and safety; and
- catalogue of all Gamesa's products and services.

Other features will be added steadily to the O&M website, such as order-tracking and a 3D catalogue of spares.

New businesses


SINESSES

New businesses

In the search for new business opportunities and energy solutions that will contribute to sustainable growth in the medium and long term, Gamesa is developing and analysing new technologies and markets as a diversification strategy with the goal of identifying and investing in innovative companies.

Gamesa's aim of continuing to grow in the medium and long term requires that it deepen its diversification strategy into new technologies and markets by identifying and investing in new businesses in the areas of renewable energy, energy efficiency and others that offer synergy with Gamesa as a manufacturer of capital goods.

During the year, the company analysed lines of research and invested in companies working on innovative technologies, including:

- Tidal energy: analysing companies with developed technologies in this area with a view to cooperation agreements in the future;
- Off-grid power systems: Gamesa has acquired minority holdings in two US companies, Skybuilt and WorldWater-Solar, which assemble technologies for the off-grid market;
- eMobility: the company has launched research in this area in cooperation with third parties to develop actions that may offer significant synergy with Gamesa's electricity business;
- Energy efficiency, in broad terms: energy solutions for industry and municipalities, energy-efficient construction, wastewater transformation, etc.
- Energy storage. Gamesa is working on a line of technology research into energy storage to meet what is one of the main challenges facing renewable energy.

Investment in new businesses

Consolidated financial statements

Consolidated financial statements

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 35). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Gamesa Corporación Tecnológica, S.A.:

1. We have audited the consolidated financial statements of Gamesa Corporación Tecnológica, S.A. and Subsidiaries composing the GAMESA GROUP (see Notes 1 and 2), which comprise the consolidated balance sheet at 31 December 2010 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. As indicated in Note 2-a to the accompanying consolidated financial statements, the directors are responsible for preparing the Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. In our opinion, the accompanying consolidated financial statements for 2010 present fairly, in all material respects, the consolidated equity and consolidated financial position of Gamesa Corporación Tecnológica, S.A. and Subsidiaries composing the GAMESA GROUP at 31 December 2010, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.

3. The accompanying consolidated directors' report for 2010 contains the explanations which the Group's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2010. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Gamesa Corporación Tecnológica, S.A. and Subsidiaries.

DELOITTE, S.L.

Registered in ROAC under no. S0692

Pablo Múgica
24 February 2010

Gamesa Corporación Tecnológica, S.A.
and subsidiaries composing the Gamesa Group

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009 (Notes 1 to 6)
(Thousands of euros)

Assets	Notes	31/12/10	31/12/09 (*)
NON-CURRENT ASSETS:			
Intangible assets			
Goodwill	8	387,258	387,258
Other intangible assets	9	166,802	152,545
		554,060	539,803
Property, plant and equipment	10		
Property, plant and equipment in use		381,217	404,696
Property, plant and equipment in the course of construction		46,532	12,716
		427,749	417,412
Investments accounted for using the equity method	11	45,300	51,702
Non-current financial assets	12		
Investment securities		31,231	4,815
Other non-current financial assets		77,241	73,356
		108,472	78,171
Deferred tax assets	23	221,854	193,199
Total non-current assets		1,357,435	1,280,287

CURRENT ASSETS:			
Inventories	13	843,767	784,356
Trade and other receivables	14	1,280,946	1,435,570
Trade receivables from related companies	30	173,550	357,423
Tax receivables	24	140,024	168,689
Other receivables	14	113,174	73,040
Current financial assets			
Derivative financial instruments	19	812	5,410
Other current financial assets		16,247	5,916
		17,059	11,326
Cash and cash equivalents	15	1,013,156	801,438
Total current assets		3,581,676	3,631,842
TOTAL ASSETS		4,939,111	4,912,129

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 35 and the Appendix are an integral part of the consolidated balance sheet at 31 December 2010.

Equity and liabilities

Equity and liabilities	Notes	31/12/10	31/12/09 (*)
EQUITY:			
Of the Parent	17		
Share capital		41,771	41,361
Share premium		155,279	155,279
Other reserves		1,411,921	1,301,540
Unrealised asset and liability revaluation reserve		(8,537)	(8,348)
Translation differences		7,216	(1,650)
Treasury shares		(34,188)	(32,310)
Net profit for the year		50,192	114,666
		1,623,654	1,570,538
Of non-controlling interests	22	5,048	5,061
Total equity		1,628,702	1,575,599
NON-CURRENT LIABILITIES:			
Provisions for contingencies and charges	20	231,275	222,625
Bank borrowings	18	556,725	396,490
Other non-current liabilities	21	45,363	51,864
Deferred tax liabilities	23	49,089	86,293
Derivative financial instruments	19	5,311	-
Total non-current liabilities		887,763	757,272
CURRENT LIABILITIES:			
Bank borrowings and other financial liabilities			
Bank borrowings	18	257,479	687,987
Derivative financial instruments	19	24,868	16,255
		282,347	704,242
Trade and other payables		1,791,652	1,525,073
Trade payables to related companies	30	113,261	131,660
Other payables			
Tax payables	24	105,728	89,140
Other current liabilities		129,658	129,143
		235,386	218,283
Total current liabilities		2,422,646	2,579,258
TOTAL EQUITY AND LIABILITIES		4,939,111	4,912,129

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 35 and the Appendix are an integral part of the consolidated balance sheet at 31 December 2010.

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009 (Notes 1 to 6)

(Thousands of euros)

	Notes	(Debit) Credit 2010	(Debit) Credit 2009 (*)
Continuing operations:			
Revenue	27.a	2,735,645	3,187,085
+/- Changes in inventories of finished goods and work in progress		153,123	(254,073)
Procurements	27.b	(2,002,777)	(2,072,087)
Other operating income	27.a	95,917	112,877
Staff costs	27.c	(295,116)	(292,354)
Other operating expenses	27.d	(359,112)	(287,290)
Depreciation and amortisation charge and provisions	27.e	(208,674)	(217,437)
PROFIT FROM OPERATIONS		119,006	176,721
Finance income	27.f	17,703	12,032
Finance costs	27.g	(67,318)	(58,642)
Exchange differences (gains and losses)		(4,673)	(6,575)
Net loss on disposal of non-current assets	12	(994)	(1,526)
Net impairment losses	10 y 11	(30,414)	(1,840)
Results of companies accounted for using the equity method	11	2,052	1,568
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		35,362	121,738
Income tax on profit from continuing operations	25	15,307	(7,159)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		50,669	114,579
PROFIT FOR THE YEAR		50,669	114,579
Attributable to:			
Shareholders of the Parent		50,192	114,666
Non-controlling interests	22	477	(87)
Earnings per share (in euros)	33		
From continuing operations		0.2081	0.4769
From continuing and discontinued operations		0.2081	0.4769

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 35 and the Appendix are an integral part of the consolidated income statement for 2010.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009 (Notes 1 to 6)

(Thousands of euros)

	Notes	2010	2009(*)
CONSOLIDATED PROFIT FOR THE YEAR (I)		50.669	114.579
Income and expense recognised directly in equity			
- Arising from cash flow hedges	17.c	(10.772)	(10.952)
- Translation differences		11.725	(4.117)
- Tax effect	17.c	3.909	5.223
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)		4.862	(9.846)
Transfers to profit or loss			
- Arising from cash flow hedges	17.c	9.512	14.817
- Tax effect	17.c	(2.838)	(4.279)
TOTAL TRANSFERS TO PROFIT OR LOSS (III)		6.674	10.538
TOTAL COMPREHENSIVE INCOME (I+II+III)		62.205	115.271
a) Attributable to the Parent		61.728	115.358
b) Attributable to non-controlling interests	22	477	(87)

(*) The changes in 2009 are presented for comparison purposes only.
The accompanying Notes 1 to 35 and the Appendix are an integral part of the consolidated statement of comprehensive income for 2010.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009 (Notes 1 to 6)

(Thousands of Euros)

				Restricted reserves	
	Share capital	Share premium	Unrealised asset and liability revaluation reserve	Legal reserve	Revaluation reserve
Balances at 1 January 2009 (*)	41,361	155,279	(13,157)	8,272	1,139
Total comprehensive income for 2009	-	-	4,809	-	-
Distribution of 2008 profit:					
Other reserves	-	-	-	-	-
Dividend with a charge to 2008 profit	-	-	-	-	-
Treasury share transactions (Notes 3-ñ and 17-e)	-	-	-	-	-
2009-2011 incentive plan (Note 17-e)	-	-	-	-	-
Transactions with non-controlling interests (Note 22)	-	-	-	-	-
Other changes in non-controlling interests	-	-	-	-	-
Balances at 31 December 2009 (*)	41,361	155,279	(8,348)	8,272	1,139
Total comprehensive income for 2010	-	-	(189)	-	-
Distribution of 2009 profit:					
Other reserves	-	-	-	-	-
Scrip dividend and bonus issue (Note 17-a)	410	-	-	-	(410)
Treasury share transactions (Notes 3-ñ and 17-e)	-	-	-	-	-
2009-2011 incentive plan (Note 17-e)	-	-	-	-	-
Transactions with non-controlling interests (Note 22)	-	-	-	-	-
Translation differences on dividends between Group companies	-	-	-	-	-
Balances at 31 December 2010	41,771	155,279	(8,537)	8,272	729

(*) The changes in 2009 are presented for comparison purposes only.
The accompanying Notes 1 to 35 and the Appendix are an integral part of the consolidated statement of changes in equity for 2010.

Restricted reserves							
Reserve for redenomination of capital in euros	Reserve for treasury shares	Treasury shares	Other reserves	Translation differences	Net profit for the year	Non-controlling interests	Total equity
1	30,825	(30,825)	986,011	2,467	320,224	6,513	1,508,110
-	-	-		(4,117)	114,666	(87)	115,271
-	-	-	272,160	-	(272,160)	-	-
-	-	-	-	-	(48,064)	-	(48,064)
-	1,485	(1,485)	(1,485)	-	-	-	(1,485)
-	-	-	4,111		-	-	4,111
-	-	-	(979)	-	-	(24)	(1,003)
-	-	-	-	-	-	(1,341)	(1,341)
1	32,310	(32,310)	1,259,818	(1,650)	114,666	5,061	1,575,599
-	-	-	-	11,725	50,192	477	62,205
							-
-	-	-	114,666	-	(114,666)	-	-
-	-	-	(9,772)	-	-	-	(9,772)
-	1,878	(1,878)	(2,039)	-	-	-	(2,039)
-	-	-	3,305	-	-	10	3,315
-	-	-	(249)	143	-	(500)	(606)
-	-	-	3,002	(3,002)	-	-	-
1	34,188	(34,188)	1,368,731	7,216	50,192	5,048	1,628,702

CONSOLIDATED STATEMENTS OF CASH FLOWS FROM CONTINUING OPERATIONS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009 (Notes 1 to 6)

(Thousands of Euros)

	Notes	2010	2009(*)
CONSOLIDATED STATEMENTS OF CASH FLOWS FROM CONTINUING OPERATIONS			
Cash flows from operating activities:			
Profit before tax from continuing operations		35,362	121,738
Adjustments for			
Depreciation and amortisation charge and provisions and allowances	Notes 9,10,20 and 27-e	208,674	217,437
Incentive plan	Notes 17-e and 27-c	3,315	4,111
Finance income and costs	Notes 27-f and 27-g	52,236	51,617
Net loss on disposal of non-current assets	Note 12	994	1,526
Net impairment losses on assets	Notes 10 and 11	30,414	1,840
Changes in working capital:			
Change in trade and other receivables		330,303	(203,744)
Change in inventories		(59,411)	384,931
Change in trade and other payables		248,455	(316,659)
Effect on working capital of changes in consolidation method and/or scope		93	(3,139)
Effect of translation differences on working capital of foreign companies		4,907	1,992
Provisions used for their intended purpose	Note 20	(85,251)	(140,394)
Income taxes paid		(45,948)	(16,207)
Interest received		14,764	12,390
Net cash flows from operating activities (I)		738,907	117,439
Cash flows from investing activities:			
Acquisition of subsidiaries, net of existing cash items		(6,795)	(19,061)
Investments in intangible assets	Note 9	(46,911)	(48,486)
Investments in property, plant and equipment	Note 10	(91,874)	(79,271)
Investments in other non-current financial assets	Note 12	(13,608)	(5,716)
Investments in other current financial assets		(10,134)	-
Changes in working capital due to current financial assets		-	(242)
Effect on financial assets of changes in consolidation method and/or scope		(16,250)	
Proceeds from disposal of intangible assets and property, plant and equipment		2,651	6,054
Proceeds from disposal of non-financial and financial assets		2,735	2,212
Proceeds from disposal of subsidiaries		-	15,000
Net cash flows from investing activities (II)		(180,186)	(129,510)
Cash flows from financing activities:			
New bank borrowings		302,180	525,053
Dividends paid		(10,170)	(49,813)
Interest paid		(51,579)	(46,553)
Cash outflows relating to bank borrowings		(597,057)	(156,952)
Acquisition of treasury shares		(2,039)	(1,485)
Net cash flows from financing activities (III)		(358,665)	270,250
Effect of foreign exchange rate changes on cash and cash equivalents (IV)		11,662	(7,150)
Effect of changes on cash and cash equivalents and of transfers to assets classified as held for sale (V)		-	-
Net increase in cash and cash equivalents from continuing operations (I+II+III+IV+V)		211,718	251,029
Cash and cash equivalents from continuing operations at beginning of year		801,438	550,409
Total cash and cash equivalents from continuing operations at end of year		1,013,156	801,438

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 35 and the Appendix are an integral part of the consolidated statement of cash flows for 2010.

Conesa wind farm. Tarragona, Spain

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 35). In the event of a discrepancy, the Spanish-language version prevails.

Gamesa Corporación Tecnológica, S.A.

and subsidiaries composing the Gamesa Group

Notes to the Consolidated Financial Statements for the year ended 31 December 2010

1. Formation and activities of the Group

Gamesa Corporación Tecnológica, S.A. ("the Company" or "GAMESA") was incorporated as a public limited liability company on 28 January 1976. On 28 May 2010, the shareholders at the Company's Annual General Meeting approved the transfer of its registered office, formerly located at Ramón y Cajal, 7-9, Vitoria-Gasteiz (Álava), to Edificio 222, Parque Tecnológico de Bizkaia, Zamudio (Vizcaya). This change was made in order to bring the Company's registered office physically closer to the areas in which it operates.

Its company object is the promotion and development of companies through temporary ownership interests in their share capital, for which it can perform the following transactions:

- Subscription of shares or other equity investments in unlisted companies engaging in business activities.
- Acquisition of the shares or other equity investments mentioned in the preceding point.
- Subscription of fixed-income securities issued by the companies in which it has ownership interests or the grant of participating and other loans to these companies for a term exceeding five years.
- Direct provision to investees of counselling, technical assistance and other similar services related to the management of investees, to their financial structure or to their production or marketing processes.
- Grant of participating loans for the acquisition of newly-built vessels which are intended for commercial shipping or fishing and not for sports or recreational activities or other private use in general.

All the activities which make up the aforementioned company object may be carried on in Spain or abroad, and may be carried on either directly (totally or partially) by GAMESA, through the ownership of shares or other equity investments in companies with an identical or a similar company object. GAMESA may not carry on any business activity for which the applicable legislation provides for specific conditions or limitations unless it fully meets such conditions.

The Company's bylaws and other public information on the Company may be consulted on the website www.gamesacorp.com and at its registered office.

In addition to the operations carried on directly by it, GAMESA is the head of a group of subsidiaries that engage in various business activities and which compose, together with the Company, the GAMESA Group ("the Group" or "the GAMESA Group"). Therefore, in addition to its own separate financial statements, the Company is obliged to present consolidated financial statements for the Group including its interests in joint ventures and investments in associates.

The GAMESA Group currently operates as a manufacturing group and principal supplier of cutting-edge products, facilities and services in the renewable energy industry, structured in the following business units headed by the respective Group companies:

Company	Main line of business
Gamesa Eólica, S.L. (Sole-Shareholder Company)	Manufacture of wind generators (WTGSs)
Gamesa Energía, S.A. (Sole-Shareholder Company)	Development, promotion and sale of wind farms

Information on the environment

In view of the business activities carried on by the GAMESA Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results. Therefore, the directors did not include any specific disclosures relating to environmental issues in these notes to the consolidated financial statements.

2. Basis of presentation of the consolidated financial statements and basis of consolidation

a) Basis of presentation

The consolidated financial statements for 2010 of the GAMESA Group were formally prepared:

- By the directors of GAMESA, at the Board of Directors Meeting held on 23 February 2011.
- Since 2005, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, including the International Accounting Standards (IASs) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC). The principal accounting policies and measurement bases applied in preparing the GAMESA Group's consolidated financial statements for 2010 are summarised in Note 3.
- Taking into account all the mandatory accounting policies and rules and measurement bases with a material effect on the consolidated financial statements.
- So that they present fairly the consolidated equity and consolidated financial position of the GAMESA Group at 31 December 2010, and the consolidated results of its operations and its consolidated cash flows in the year then ended.
- On the basis of the accounting records kept by GAMESA and by the other Group companies. However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2010 (IFRSs) could differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards.

The consolidated financial statements of the GAMESA Group for 2009 were approved by the shareholders at the Annual General Meeting of GAMESA held on 28 May 2010 and were filed at the Vizcaya Mercantile Registry. The Group's 2010 consolidated financial statements have not yet been approved by the shareholders at the Annual General Meeting. However, the Board of Directors of GAMESA considers that these consolidated financial statements will be approved without any changes.

b) Adoption of new or revised International Financial Reporting Standards (IFRSs)

Standards and interpretations in force in 2009

Revision of IFRS 3, Business Combinations and amendments to IAS 27, Consolidated and Separate Financial Statements

The revised IFRS 3 and the amendments to IAS 27 give rise to very significant changes in several matters relating to accounting for business combinations which, in general, place greater emphasis on the use of fair value. Some of the most significant changes relate to the treatment of acquisition-related costs, which will be accounted for as expenses, as opposed to the current accounting treatment of recognising them as an increase in the cost of the business combination; business combinations achieved in stages, in which the acquirer must remeasure its previously held equity interest in the acquire at its acquisition-date for value; and the option to measure the non-controlling interests in the acquiree at fair value, as opposed to the single current treatment of measuring them at the non-controlling interests' proportionate share of the fair value on the net assets acquired.

Since the standard will be applied prospectively, it did not have any impact on the consolidated financial statements in connection with the business combinations performed prior to 1 January 2010.

Amendments to IFRS 2, Share-based Payment

These amendments relate to the recognition of share-based payment transactions among group entities. The main change is that the amendments incorporate in IFRS 2 the previous requirements set out in IFRIC 8 and IFRIC 11 which, therefore, have been withdrawn, since their content is included in the main body of the standard. It is clarified that an entity that receives services from employees or suppliers should account for the transaction even if another group entity settles the arrangement and irrespective of whether it is cash-settled or equity-settled.

As a result of the nature of these amendments, there was no impact on the Group's consolidated financial statements.

IFRIC 15, Agreements for the Construction of Real Estate

This interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate, providing guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11, Construction Contracts or IAS 18, Revenue and, therefore, depending on the nature of the agreement, when and how the revenue should be recognised.

The entry into force of this interpretation did not have any impact on the financial statements.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation

This interpretation addresses three main issues. Firstly, it states that hedge accounting may not be applied to the foreign exchange differences arising between the functional currency of the foreign operation and the parent entity's functional currency, irrespective of whether or not the currency in which the financial statements are presented differs from the functional currency of the parent entity or whether or not the foreign operation may be part-owned by an intermediate company with functional currency other than that of the foreign operation and the parent entity. It also clarifies that the hedging instrument in a hedge of a net investment in a foreign operation may be held by any entity within the group, and not necessarily by the parent entity of the foreign operation. Lastly, it explains how to determine the amounts to be reclassified from equity to profit or loss when a hedged foreign operation is disposed of.

The Group's accounting practice in transactions of this nature is consistent with the interpretation issued and, therefore, the entry into force of the interpretation did not have any impact on the consolidated financial statements.

Also, the following standards and interpretations were applied in these consolidated financial statements and had no material effect on either the reported figures or on the presentation and of the consolidated financial statements or disclosures therein:

- Amendment to IAS 39, Eligible Hedged Items
- IFRIC 12, Service Concession Arrangements
- IFRIC 17, Distributions of Non-Cash Assets to Owners
- IFRIC 18, Transfers of Assets from Customers

Note 34 provides a detail of the most significant standards, amendments to standards and interpretations published by the IASB (International Accounting Standards Board) which at 31 December 2010 had not yet come into force.

c) Functional currency

These consolidated financial statements are presented in thousands of euros, since the euro is the currency used in the main economic area in which the GAMESA Group operates. Transactions denominated in currencies other then the euro are recognised in accordance with the policies described in Note 3-f.

d) Responsibility for the information

The information in these consolidated financial statements is the responsibility of GAMESA's Board of Directors.

e) Information relating to 2009

As required by IAS 1, the information relating to 2009 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with the information relating to 2009 and, accordingly, it does not constitute the GAMESA Group's statutory consolidated financial statements for 2009.

f) Basis of consolidation

The subsidiaries over which the GAMESA Group exercises control were fully consolidated.

The GAMESA Group considers that it has the capacity to exercise control over a subsidiary when it has sufficient power to govern its financial and operating policies so as to obtain benefits from its activities. Such control is presumed to exist when GAMESA owns, either directly or indirectly, more than 50% of the voting power of the investees.

The jointly controlled entities managed by the GAMESA Group together with other companies were proportionally consolidated.

The associates over which the GAMESA Group is in a position to exercise significant influence, but not control, were accounted for in the consolidated balance sheet using the equity method. For the purpose of preparing these consolidated financial statements, it was considered that the GAMESA Group is in a position to exercise significant influence over companies in which it has an investment of 20% or more of the share capital, except in specific cases where, although the percentage of ownership is lower, the existence of significant influence can be clearly demonstrated. Also, significant influence is deemed not to exist in cases where, although an ownership interest of more than 20% is held, the absence of significant influence can be clearly demonstrated. Significant influence is deemed to exist when the GAMESA Group has the power to influence the financial and operating policies of an investee (see Notes 2-g, 11 and 12).

A list of GAMESA's subsidiaries and associates, together with the consolidation or measurement bases used in preparing the accompanying consolidated financial statements and other relevant information are disclosed in the Appendix.

The operations of GAMESA and of the consolidated subsidiaries were consolidated in accordance with the following basic principles:

- The Group is considered to be carrying out a business combination when the assets acquired and liabilities assumed constitute a business. The Group accounts for each business combination by applying the acquisition method, which entails identifying the acquirer, determining the acquisition date -which is the date on which control is obtained- and cost of acquisition, recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree and, lastly, recognising and measuring goodwill or a gain from a bargain purchase.
- Goodwill arising as described in the preceding paragraph has not been amortised since 1 January 2004, the date of transition to IFRSs, although it is reviewed for impairment at least once a year (see Note 8).
- Acquisitions-related costs are recognised as expenses in the year in which they are incurred and, therefore, are not considered to be an increase in the cost of the combination.
- The identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair value and any non-controlling interest is measured as the non-controlling interest's proportionate share of the acquiree's net identifiable assets.
- In business combinations achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss, if any, in profit or loss.

- The result of accounting for ownership interests using the equity method (after eliminating results on intra-Group transactions) is reflected under “Equity - Of the Parent – Other Reserves” and “Results of Companies Accounted for Using the Equity Method” in the accompanying consolidated balance sheet and consolidated income statement, respectively. The equity method consists of initially recognising the investment at cost and subsequently adjusting it, based on the changes in the portion of the entity’s net assets that corresponds to the investor, recognising in the investor’s profit or loss the corresponding portion of the investee’s result for the year (see Note 11).
- Purchases and sales of non-controlling interests in companies that are and continue to be subsidiaries both prior and subsequent to the aforementioned transactions are considered to be transactions between shareholders and, therefore, the payments made will be recognised in the Group’s consolidated equity (see Note 22).
- The interest of non-controlling shareholders in the equity and results of the fully consolidated subsidiaries and of the subsidiaries of proportionately consolidated jointly controlled entities is presented under “Equity - Of Non-Controlling Interests” in the consolidated balance sheet and “Profit for the Year - Attributable to: Non-Controlling Interests” in the consolidated income statement.
- The financial statements of foreign companies were translated to euros using the year-end exchange rate method. This method consists of translating to euros all the assets, rights and obligations at the exchange rates prevailing at the date of the consolidated financial statements, the consolidated income statement items at the average exchange rates for the year, and equity at the historical exchange rates at the date of acquisition (or in the case of retained earnings at the average exchange rates for the year in which they were generated), and the differences are recognised with a charge or a credit, as appropriate, to “Equity - Of the Parent - Translation Differences” in the consolidated balance sheet.
- When the Group loses control over a subsidiary, it derecognises the subsidiary’s assets (including goodwill) and liabilities and the non-controlling interest at the carrying amount thereof at the date on which control is lost. The consideration received and the investment retained in the aforementioned company are measured at their fair value at the date when control is lost and any gain or loss is recognised in profit or loss.
- The accompanying consolidated financial statements include certain adjustments to bring the accounting policies and procedures applied by the subsidiaries into line with those of GAMESA.
- All balances and transactions between fully or proportionately consolidated companies were eliminated on consolidation.
- In 2009 the taxable temporary differences associated with the retained earnings of subsidiaries (corresponding in full to investees located in China) that will foreseeably be distributed in the coming years and measured at the amount expected to be paid to the tax authorities at source totalled EUR 6,057 thousand (see Note 25). In 2010, as a result of the effective distribution of the aforementioned earnings, this taxable temporary difference was reversed in full.

g) Changes in the scope of consolidation

The most significant inclusions in the scope of consolidation in 2010 and 2009 were as follows:

Incorporation of new companies

The detail of the main companies incorporated in 2010 is as follows:

Incorporated company	Incorporating company	Initial percentage of ownership
Jiling Gamesa Wind Co., Ltd	Gamesa Wind Tianjing Co., Ltd	100%
Inner Mongolia Gamesa Wind Co., Ltd.	Gamesa Wind Tianjing Co., Ltd	100%
Gamesa Canadá ULC	Gamesa Eólica, S.L. (Sole-Shareholder Company)	100%
Gamesa Luxemburgo	Gamesa Eólica, S.L. (Sole-Shareholder Company)	100%
Gamesa Estonia OÜ	Gamesa Eólica, S.L. (Sole-Shareholder Company)	100%
Gamesa Energía Galicia S.L. (Sole-Shareholder Company)	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Gamesa Ireland Limited	Gamesa Eólica, S.L. (Sole-Shareholder Company)	100%
Energiaki Arvanikos EPE	Gamesa Eólica, S.L. (Sole-Shareholder Company)	100%
Gesa Energia S.L. de C.V.	Gamesa Energía, S.A. (Sole-Shareholder Company)	99%
Sistema Eléctrico de Conexión Montes Orientales, S.L	Gamesa Energía, S.A. (Sole-Shareholder Company)	83.29%
Gamesa Wind Energy Services, Ltd	Gamesa Eólica, S.L. (Sole-Shareholder Company)	100%
Gamesa Eolica Costa Rica, S.R.L.	Gamesa Eólica, S.L. (Sole-Shareholder Company)	100%
Sistemes Energètics Passanant, S.L. (Sole-Shareholder Company)	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Gamesa Wind Sweden AB	Gamesa Eólica, S.L. (Sole-Shareholder Company)	100%
Gesacisa Desarrolladora SA de CV	Gamesa Energía, S.A. (Sole-Shareholder Company)	85%
Gamesa Energía Zaragoza, S.L. (Sole-Shareholder Company)	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Gamesa Energía Teruel, S.L., (Sole-Shareholder Company)	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Sistemas Energéticos El Olivar, S.L. (Sole-Shareholder Company)	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Sistemas Energéticos Boyal, S.L. (Sole-Shareholder Company)	Gamesa Energía, S.A. (Sole-Shareholder Company)	59.98%
Stipa Nayaa, Sociedad de Capital Variable	Gamesa Energía, S.A. (Sole-Shareholder Company)	85%
Coemga Renovables, S.L.	GERR, Grupo Energético 21, S.A.	75.02%
Coemga Renovables 1, S.L.	GERR, Grupo Energético 21, S.A.	75.02%
Sistemas Energéticos El Valle, S.L.	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Sistemas Energéticos La Cámara, S.L.	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Gamesa Wind UK Limited	Gamesa Eólica, S.L. (Sole-Shareholder Company)	100%
Gamesa Lanka Private Limited	Gamesa Eólica, S.L. (Sole-Shareholder Company)	100%
Gamesa Singapore Private Limited	Gamesa Eólica, S.L. (Sole-Shareholder Company)	100%
GESA Eólica Honduras, S.A	Gamesa Eólica, S.L. (Sole-Shareholder Company) (*)	100%
Gamesa Eólica VE, C.A.	Gamesa Eólica, S.L. (Sole-Shareholder Company) (*)	100%
RSR Power Private Limited	Gamesa Wind Turbines Pvt, Ltd.	75%

(*) Gamesa Eólica, S.L. (Sole-Shareholder Company) holds a 99% ownership interest in this company, and Gamesa Innovation & Technology, S.L. (Sole-Shareholder Company) holds the remaining 1%.

The detail of the main companies incorporated in 2009 is as follows:

Incorporated company	Incorporating company	Initial percentage of ownership
Anqiu Taipingshan Wind Power Co. Ltd	Sistemas Energéticos Jaralón, S.A.	100%
Gamesa Morocco SARL	Gamesa Eólica, S.L. (Sole-Shareholder Company) (**)	100%
Gamesa Wind Romania S.R.L.	Gamesa Eólica, S.L. (Sole-Shareholder Company)	100%
International Wind Farm Developments IX, S.L.	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
International Wind Farm Developments X, S.L.	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Senate Wind, LLC	Gamesa Energy USA, Inc.	100%
Sistemas Energéticos Monte Genaro, S.L.	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Sistemas Energéticos Sierra del Carazo, S.L.	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
2Morrow Energy, LLC	Gamesa Energy USA, Inc.	100%
Crescent Ridge, LLC	Gamesa Energy USA, Inc.	100%
Minonk Wind, LLC	Gamesa Energy USA, Inc.	100%
Sistemas Energéticos Sierra de Valdefuentes, S.L.	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Yishui Tangwangshan Wind Power Co., Ltd.	International Wind Farm Developments III, S.L.	100%
Diversified Energy Transmission, LLC	2Morrow Energy	100%
Jianping Shiyingzi Wind Power Co. Ltd	Sistemas Energéticos de Tarifa, S.L.	100%
Qgrid Technologies, S.L.	Gamesa Energía, S.A. (Sole-Shareholder Company)	60%
Rock River Wind, LLC	Gamesa Energy USA, Inc.	100%
Sandstone Wind, LLC	Gamesa Energy USA, Inc.	100%
Vaquillas Wind, LLC	Gamesa Energy USA, Inc.	100%
Whispering Prairie Wind, LLC	Gamesa Energy USA, Inc.	100%
Sandy Ridge Wind, LLC	Gamesa Energy USA, Inc.	100%
Wendeng Zhangjiachan Wind Power Co. Ltd	International Wind Farm Developments II, S.L.	100%
Gamren Eólico Solar, S.L.	Gamesa Energía, S.A. (Sole-Shareholder Company)	49%
Foel Fynyddau Renewable Energy Park Limited	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Watford Gap Renewable Energy Park Limited	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Aberchalder Renewable Energy Park Limited	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Toftingall Renewable Energy Park Limited	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Pencoed Renewable Energy Park Limited	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Lancaster Wind Farm, LLC	Gamesa Energy USA, Inc.	100%
Pomeroy Wind Farm, LLC	Gamesa Energy USA, Inc.	100%
White Wind Farm, LLC	Gamesa Energy USA, Inc.	100%

(**) Gamesa Eólica, S.L. (Sole-Shareholder Company) holds a 99% ownership interest in this company, and Gamesa Energía, S.A. (Sole-Shareholder Company) holds the remaining 1%.

Acquisition of new companies

2010

In 2010 the significant acquisitions performed were as follows:

- On 7 October and 10 December 2010, GAMESA acquired 1,802,140 and 766,667 shares of the US companies Worldwater & Solar Technologies Inc. and Skybuilt Power Inc., respectively, corresponding to 25% and 28.75% of their total share capital, for total amounts of EUR 2,243 thousand and EUR 4,303 thousand, respectively.

  Both amounts, corresponding to the percentages of the fair value of the net assets acquired, were recognised under "Investments Accounted for Using the Equity Method" in the consolidated balance sheet (see Note 11).

  In both cases, pursuant to the agreements entered into, GAMESA and the other respective shareholders of the two companies mutually acknowledged call and put options on the remaining shares of the companies. The put option granted to the other shareholders of the aforementioned companies will be exercisable four years after the agreement was entered into and the call option granted to GAMESA will be exercisable five years after the agreement was entered into, and will be valid for two years. The price of the call option and the put option will be determined using two multipliers applied to the earnings of the US company over the twelve months preceding the date on which the option is exercised.

- On 19 October 2010, the GAMESA Group, through the Group company Gamesa Energía, S.A. (Sole-Shareholder Company) acquired 50% of the share capital of two Mexican wind farm development companies belonging to the Mexican corporate group Eolia, called Eoliatec del Istmo, S.A.P.I. de C.V. and Eoliatec del Pacífico, S.A.P.I. de C.V. The amount paid in the acquisition plus the costs directly attributable to the combination totalled MXN 9,990 thousand (approximately EUR 607 thousand). Also, the GAMESA Group acquired and was subrogated to the proportionate part of the credit facilities amounting to EUR 3,139 thousand and USD 6,592 thousand granted by Eolia to the aforementioned companies arising from inter-company loan agreements.

  On acquisition neither company held cash or cash equivalents.

  The main object of the agreement entered into is the development, construction, WTGS supply, start-up and operation of wind farms by GAMESA (with estimated total capacity of approximately 325 MW) under a project finance arrangement. In this regard, successful completion of the agreement is conditional upon the ultimate arrangement of the aforementioned bank financing, establishing deadlines of 31 December 2012 for Eoliatec del Istmo, S.A.P.I. de C.V. and 30 September 2013 for Eoliatec del Pacífico, S.A.P.I. de C.V. Non-fulfilment of this condition would not give rise to any grounds for claims or indemnities between the parties.

  Lastly, pursuant to the agreement entered into, the GAMESA Group and Eolia granted, for no consideration, cross options on GAMESA's interest in the two companies. The call option granted by the GAMESA Group may be exercised up to 30 months after the signing of the Provisional Acceptance Certificate ("PAC") of the two companies and will be equal to the amount of the contributions made by GAMESA to these companies, net of any returns that might have been made. The put option granted by Eolia may be exercised up to one year following the signing of the PAC and will also be determined on the basis of the net contributions made by GAMESA to these companies.

  The transaction was accounted for by applying the acquisition method as follows:

	Thousands of euros		
	Carrying amount at the date of acquisition	Fair value adjustments (Note 3-c)	Fair value
Net assets acquired:			
Property, plant and equipment (Note 10)	19,213	1,500	20,713
Current assets	5,104	-	5,104
Bank borrowings	(13,588)	-	(13,588)
Trade and other payables	(11,622)	-	(11,622)
Total acquisition cost	(893)	1,500	607

GAMESA's directors consider that any excess of the cost of this business combination over the corresponding underlying carrying amounts acquired is allocable to specific assets and liabilities of the acquirees. Consequently, as described in Note 3-c, the GAMESA Group increased the carrying amount of the property, plant and equipment of the acquired companies, since the fair value of these assets was higher than the carrying amount at which they had been recognised in the consolidated balance sheet.

The effect of this change in the scope of consolidation in 2010 on the consolidated revenue and profit for 2010 was scantly material, since the business combination was effected in October 2010.

Had this business combination been effected on 1 January 2010, it would have reduced the consolidated profit for 2010 by approximately EUR 516 thousand. Consolidated revenue would not have changed.

At the end of 2010 the companies acquired were included in the Generation segment (see Note 7) and were proportionately consolidated.

2009

On 22 October 2009, the GAMESA Group exercised the call option on all the shares of Sistemas Energéticos Almodóvar del Rio, S.L. (Sole-Shareholder Company) pursuant to the loan agreement entered into by the two companies.

GAMESA's directors considered that the excess of the cost of this business combination over the corresponding underlying carrying amounts acquired, amounting to EUR 19,798 thousand, was allocable to specific assets and liabilities of the acquiree and, therefore, the GAMESA Group increased the carrying amount of the property, plant and equipment of the acquiree.

In 2010 the GAMESA Group recognised an impairment loss of EUR 12,500 thousand on the property, plant and equipment of this company (see Note 10).

The other companies acquired in 2010 and 2009 were not material.

Exclusions from the scope of consolidation

2010

In 2010 the most significant exclusions from the scope of consolidation of the GAMESA Group were as follows:

Sistemas Energéticos La Estrada, S.A. (Sole-Shareholder Company)
Sistemas Energéticos La Retuerta, S.A. (Sole-Shareholder Company)
Sistemas Energéticos Las Cabezas, S.A. (Sole-Shareholder Company)
Sistemas Energéticos La Tallisca, S.A. (Sole-Shareholder Company)
Sistemas Energéticos El Centenar, S.A. (Sole-Shareholder Company)
Sistemas Energéticos Majal Alto, S.A. (Sole-Shareholder Company)
Sistemas Energéticos Valdefuentes, S.A. (Sole-Shareholder Company)
Sistemas Energéticos El Saucito, S.A. (Sole-Shareholder Company)
Sistemas Energéticos Mesa De Ocaña, S.A. (Sole-Shareholder Company)
Sistemas Energéticos De La Camorra, S.A. (Sole-Shareholder Company)
Sistemas Energéticos Pontenova, S.A. (Sole-Shareholder Company)
Sistemas Energéticos Mondoñedo Pastoriza, S.A. (Sole-Shareholder Company)
Parco Eólico San Francesco S.R.L.
Anqiu Taipingshan Wind Power Co. Ltd.
Yishui Tangwangshan Wind Power Co., Ltd.
Jianping Shiyingzi Wind Power Co. Ltd.
Wendeng Zhangjiachan Wind Power Co. Ltd

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Continuation of the previous page

Windfarm 36 GmbH
EBV WP Nr 28 GmbH & Co.KG
Blitzstart GmbH
Kristall 31 GmbH
Magnet 131 VV GmbH
Piecki Sp. Zoo
Societe d'exploitation parc éolien de la Bouleste
BII NEE Stipa Energía Eólica
Sistemes Energetics Conesa II, S.A. (Sole-Shareholder Company)
Sistemes Energetics Savalla Del Comtat, S.A. (Sole-Shareholder Company)
Sistemas Energéticos Los Lirios, S.A. (Sole-Shareholder Company)
Sistemas Energéticos Alto del Abad, S.A. (Sole-Shareholder Company)

The Chinese companies Anqiu Taipingshan Wind Power Co. Ltd.,Yishui Tangwangshan Wind Power Co., Ltd., Jianping Shiyingzi Wind Power Co. Ltd. and Wendeng Zhangjiachan Wind Power Co. Ltd. were incorporated by GAMESA in 2009. In 2010 these companies increased share capital. GAMESA did not subscribe the aforementioned capital increases, thereby reducing its ownership interests to between 25% and 40% and classifying them under "Non-Current Financial Assets - Investment Securities" on the asset side of the accompanying consolidated balance sheet at 31 December 2010, since GAMESA's directors considered that significant influence over these companies did not exist as there was no power to participate in their financial and operating policy decisions (see Note 12).

The other companies relate to wind farms that were disposed of in 2010 whose net assets are classified as inventories and, therefore, the sale thereof, as indicated in Note 3-a, is recognised under "Revenue" in the accompanying consolidated income statement for 2010, for an amount equal to the sum of the price of the shares of the wind farms plus the amount of the net debt relating to the farms.

The companies disposed of were wholly owned by GAMESA except for BII NEE Stipa Energía Eólica, in which it had an ownership interest of 74.82%.

2009

In 2009 the most significant exclusions from the scope of consolidation of the GAMESA Group were as follows:

Company
North Allegheny Wind, LLC
Sistemes Energetics Comadats Serra Les Forques, S.A.
Sistemes Energetics Serra de Montargul, S.A.
Magnet 130 VV GmbH
Société du parc eolien talizat rezentieres II, S.A.
S.E. Monfero-Guitiriz, S.A.
Lipniki sp. W Zoo. Organizacji

In 2009 all of the aforementioned companies were wholly-owned by GAMESA until they were effectively excluded from the scope of consolidation.

Other corporate transactions

In 2010 there were no changes in the methods used to consolidate the companies which form part of the GAMESA Group.

Also, in 2010 the following significant corporate transactions took place:

- On 5 November 2010, Made Tecnologías Renovables, S.A. (Sole-Shareholder Company) was merged by absorption into Gamesa Eólica, S.L. (Sole-Shareholder Company), which acquired all its assets and liabilities by universal succession (see Note 8).
- The following companies were liquidated:

Company
Eoenergy II, S.A. (Sole-Shareholder Company)
Eoenergy III, S.A. (Sole-Shareholder Company)
Gamesa Luxemburgo
Equipos de Eficiencia Energética, S.L.

3. Accounting principles and policies and measurement bases applied

a) Revenue recognition

Revenue from sales is measured at the fair value of the assets or rights received as consideration for the goods and services provided in the normal course of the Group companies' business, net of discounts and applicable taxes. Sales of goods are recognised when the goods have been delivered and title thereto has been transferred. Revenue from construction contracts is recognised in accordance with the GAMESA Group's accounting policy described in Note 3-b.

Sales of wind farms whose non-current assets are classified as inventories (see Note 3-m) are recognised under "Revenue" in the consolidated income statement for the total price of the shares of the wind farm plus the amount of the net borrowings relating to the facility (total debt less current assets). At the same time, the related inventories are derecognised with a charge to "Changes in Inventories of Finished Goods and Work in Progress" in the consolidated income statement. The difference between the two amounts represents the operating profit or loss obtained from the sale.

Each wind farm adopts the legal structure of a public or private limited liability company (see Appendix), the shares of which are fully consolidated in the accompanying consolidated financial statements. Wind turbine generating systems constitute a wind farm's principal asset. As a general rule, a wind farm is effectively sold once it has entered into operation and has successfully completed the start-up period.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's carrying amount.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

b) Stage of completion

The GAMESA Group applies the percentage of completion method (see Note 16) to firm wind farm construction contracts and contracts for the sale of WTGSs to non-Group third parties that at 31 December of each year have the following characteristics:

- there is a firm obligation for the buyer.
- the total contract revenue can be measured reasonably reliably.

- both the contract costs to complete the contract and the stage of contract completion at the end of the reporting period can be measured reliably.
- if the contract is unilaterally terminated by the buyer, the latter is obliged to compensate the GAMESA Group for at least the costs and profit margin accrued up to the date of termination.

This policy involves the recognition as revenue in the consolidated income statement of the result of applying to the estimated overall profit margin on each contract for the sale of wind farms the stage of completion of the wind farm at the end of the reporting period. The stage of completion of wind farm sale contracts is measured by reference to technical criteria in the case of wind farm development (location of sites, obtainment of permits and authorisation for the connection of the wind farm to the grid) and to economic criteria in the case of the construction of WGTSs.

In the case of the manufacture of WGTSs for third parties outside the GAMESA Group, the stage of completion is measured by reference to economic criteria, calculating the proportion that contract costs incurred until the end of the reporting period bear to the estimated total contract costs to be incurred until contract completion.

The GAMESA Group recognises the total cost incurred in excess of that corresponding to the related stage of completion under "Trade and Other Receivables" and "Trade Receivables from Related Companies" in the consolidated balance sheet with a credit to "Revenue" in the consolidated income statement. Also, the costs incurred in the manufacture of WGTSs are recognised with a charge to "Procurements" in the consolidated income statement, whereas those incurred in the construction of wind farms are recognised with a charge to "Changes in Inventories of Finished Goods and Work in Progress" (see Note 16).

If the total estimated costs exceed the contract revenue, the related loss is recognised immediately in the consolidated income statement.

c) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition of the fully and proportionately consolidated subsidiaries over the Group's interest in the fair value of the net assets of those companies at the date of acquisition. Goodwill arising on the acquisition of companies with a functional currency other than the euro is translated to euros at the exchange rates prevailing at the date of the consolidated balance sheet.

Goodwill acquired on or after 1 January 2004 is measured at acquisition cost and that acquired earlier is recognised at the carrying amount at 31 December 2003 in accordance with the accounting policies applied until that date. In both cases, since 1 January 2004 goodwill has not been amortised and at the end of each reporting period it is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down accordingly (see Note 3-l).

d) Disposal groups, assets classified as held for sale and profit from discontinued operations

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use, for which they must be available for immediate sale in their present condition and their sale must be highly probable.

For the sale of an asset or disposal group to be highly probable, the following conditions must be met:

- The GAMESA Group must be committed to a plan to sell the asset or disposal group.
- An active programme to locate a buyer and complete the plan must have been initiated.
- The asset or disposal group must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale.

- It is unlikely that significant changes to the plan will be made.

Assets and disposal groups classified as held for sale are measured in the consolidated balance sheet at the lower of carrying amount and fair value less costs to sell. Also, non-current assets are not depreciated while they are classified as held for sale.

At 31 December 2010 and 2009, the GAMESA Group did not have any assets or disposal groups classified as held for sale.

A discontinued operation is a business that has been sold or otherwise disposed of, or that has been classified as held for sale whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes. In 2010 and 2009 no lines of business were discontinued.

e) Leases

The GAMESA Group classifies leases as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are classified in the appropriate asset category in the consolidated balance sheet based on their nature and function at the lower of the fair value of the leased asset and the aggregate present values of the amounts payable to the lessor plus the purchase option, with a credit to “Bank Borrowings” in the consolidated balance sheet. These assets are depreciated using methods similar to those used for the assets owned by the GAMESA Group (see Note 10).

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

f) Foreign currency balances and transactions

The functional currency of most of the GAMESA Group companies is the euro.

For all of the GAMESA Group’s foreign companies with a functional currency other than the euro, the functional currency is the same as the local currency. Therefore, there are no functional currencies which are different from the local currencies in which each company pays the corresponding income tax. Consequently, changes in exchange rates do not give rise to any temporary differences which might lead to the recognition of a deferred tax asset or liability.

Transactions in a currency other than the functional currency of the GAMESA Group companies are translated to euros at the exchange rates prevailing on the date of the transaction. During the year, exchange differences between the exchange rate at which the transaction was translated and the exchange rate at which the collection or payment was translated are recognised with a charge or a credit to the consolidated income statement.

Also, foreign currency fixed-income securities and receivables and payables at 31 December of each year are translated to the functional currency at the exchange rates prevailing at the consolidated balance sheet date. Any exchange differences arising are recognised with a charge or a credit, as appropriate, to “Exchange Differences (Gains and Losses)” in the consolidated income statement.

The hedges that the GAMESA Group uses to reduce foreign currency risk are described in Note 19.

The detail of the equivalent euro value of the monetary assets and liabilities denominated in currencies other than the euro held by the GAMESA Group at 31 December 2010 and 2009 is as follows:

	Equivalent value in thousands of euros			
	2010		2009	
Currency	Assets	Liabilities	Assets	Liabilities
Pounds sterling	55	312	358	4,403
US dollars	345,058	126,574	97,674	93,231
Japanese yen	162	31	125	2,493
Egyptian pounds	13,181	495	10,856	6
Chinese yuan	164,779	55,070	142,067	12,053
Polish zlotys	6,616	12,152	20,185	11
Indian rupees	41,366	86,176	3,756	7,506
Other currencies	28,976	28,053	15,815	81
Total	600,193	308,863	290,836	119,784

The detail of the main foreign currency balances is as follows:

	Equivalent value in thousands of euros			
	2010		2009	
Nature of the balances	Assets	Liabilities	Assets	Liabilities
Accounts receivable	177,554	-	64,524	-
Cash and cash equivalents (Note 15)	422,639	-	226,312	-
Accounts payable	-	135,978	-	19,800
Bank borrowings (Note 18)	-	172,885	-	99,984
Total	600,193	308,863	290,836	119,784

g) Government grants

Government grants related to assets are deducted from the carrying amount of the assets financed by them and, therefore, they reduce the annual depreciation/amortisation charge relating to each asset over its useful life (see Notes 9 and 10).

Grants related to income are allocated to income in the year in which the related expenses are incurred. "Other Operating Income" in the consolidated income statements for 2010 and 2009 includes EUR 163 thousand and EUR 237 thousand, respectively, in this connection (see Note 27-a).

h) Classification of current and non-current liabilities

Liabilities are classified as current or non-current on the basis of the projected period to maturity, disposal or settlement. Therefore, non-current liabilities are amounts due to be settled within more than twelve months from the date of the consolidated balance sheet, except as explained below.

Loans and credit facilities assigned to wind farms held for sale are classified at current or non-current on the basis of the period in which the wind farm will foreseeably be sold, since such sale, which is carried out through the sale of the shares of the public/private limited liability companies in which these wind farms are legally structured, entails the exclusion from the scope of consolidation of all the assets and liabilities of the wind farms.

Accordingly, regardless of the repayment schedule contractually relating to these borrowings, the total amount of borrowings assigned to the wind farms that will foreseeably be sold within twelve months from year-end is classified as a current liability.

i) Income tax

Since 2002 GAMESA and certain subsidiaries located in the Basque Country subject to Álava corporation tax legislation have filed income tax returns under the special consolidated tax regime. Since 2010, as a result of the change of the Company's registered office (see Note 1), the application of this regime to the companies concerned has been governed by Vizcaya Corporation Tax Regulation 3/1996, of 26 July.

Also, since 2010 the subsidiaries located in the Autonomous Community of Navarre Gamesa Eólica, S.L.U., Gamesa Innovation and Technology, S.L.U. and Estructuras Metálicas Singulares, S.A. have filed consolidated tax returns pursuant to Navarre Corporation Tax Regulation 24/1996, of 30 December.

The foreign companies are taxed in accordance with the legislation in force in their respective jurisdictions.

The income tax expense is accounted for using the balance sheet liability method. This method consists of determining deferred tax assets and liabilities on the basis of the differences between the carrying amounts of assets and liabilities and their tax base, using the tax rates that can objectively be expected to apply when the assets are realised and the liabilities are settled. Deferred tax assets and liabilities arising from direct charges or credits to equity accounts are also accounted for with a charge or credit to equity.

The GAMESA Group recognises deferred tax assets to the extent that it is expected that there will be future taxable profits against which tax assets arising from temporary differences can be utilised (see Note 23).

Double taxation and other tax credits and tax relief earned as a result of economic events occurring in the year are deducted from the income tax expense, unless there are doubts as to whether they can be realised.

j) Property, plant and equipment

Property, plant and equipment, which are all for own use, are stated in the balance sheet at acquisition cost less any accumulated depreciation and any recognised impairment losses. In addition to purchase price, acquisition cost includes non-recoverable indirect taxes and any other costs related directly to the entry into service of the asset for its intended use (including interest and other borrowing costs incurred during the construction period). Prior to 1 January 2004, the GAMESA Group revalued certain items of property, plant and equipment as permitted by the applicable legislation. The GAMESA Group, in conformity with IFRSs, treated the amount of these revaluations as part of the cost of these assets.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised, together with the borrowing costs incurred during the construction period only. Repairs that do not lead to a lengthening of the useful lives of the assets and maintenance expenses are charged to the income statement for the year in which they are incurred.

In-house work performed by the GAMESA Group on property, plant and equipment is measured at accumulated cost (external costs plus in-house costs, determined on the basis of the hourly costs of the employees engaged therein), and is recognised with a credit to "Other Operating Income - Group Work on Non-Current Assets" in the consolidated income statement (see Note 27-a).

The GAMESA Group depreciates its property, plant and equipment using the straight-line method, distributing the cost of the assets over the following years of estimated useful life:

	Average years of estimated useful life
Buildings	20 - 33
Plant and machinery	5 - 10
Other items of property, plant and equipment	3 - 10

Since the GAMESA Group does not have to incur any significant costs in relation to the closure of its facilities, the accompanying consolidated balance sheet does not include any provisions in this connection.

k) Intangible assets

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets - Development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

In conformity with IFRSs, the GAMESA Group classifies as intangible assets the expenses incurred in the development of projects for which it can be demonstrated that the following conditions have been met:

- The expenditure is specifically identified and controlled by project and its distribution over time is clearly defined.
- They are feasible projects from a technical standpoint; it is intended to complete the projects and it is possible to use the results thereof.
- There are technical and financial resources to be able to complete the project.
- The project development expenditure can be measured reliably.
- Future economic benefits will foreseeably be generated through the sale or use of the project by the GAMESA Group.

If it cannot be demonstrated that these conditions have been met, development expenditure is recognised as an expense in the period in which it is incurred.

In-house work performed by the GAMESA Group on intangible assets is recognised at accumulated cost (external costs plus in-house costs, determined on the basis of the hourly costs of the employees engaged therein), and is recognised with a credit to "Other Operating Income - Group Work on Non-Current Assets" in the consolidated income statement (see Note 27-a).

Amortisation of development expenditure begins when the projects are in the conditions necessary for them to be capable of operating in the manner initially intended by the GAMESA Group. The expenditure is amortised on a straight-line basis over the estimated period of time that the new product will generate economic benefits. These projects relate mainly to new models of WTGSs which the Group basically estimates to have a sale period of five years (see Note 9).

Concessions, patents, licences, trademarks and similar items

The amounts recognised by the GAMESA Group in connection with concessions, patents, licences and similar items relate to the costs incurred in their acquisition, which are amortised on a straight-line basis over the estimated useful lives of the assets, which range from five to ten years.

Computer software

The acquisition and development costs incurred in relation to the basic computer systems used in the management of the GAMESA Group are recognised with a charge to "Other Intangible Assets" in the consolidated balance sheet. Computer system maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred.

Computer software is amortised on a straight-line basis over five years from the entry into service of each application.

l) Asset impairment

At the end of each reporting period, the GAMESA Group reviews its non-current assets to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset itself does not generate cash flows that are independent from other assets, the GAMESA Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

At the end of each reporting period the GAMESA Group systematically analyses the recoverability of goodwill and other intangible assets with an indefinite useful life or which have not yet come into operation (see Notes 3-c and 9).

Recoverable amount is the higher of fair value less costs to sell and value in use, which is taken to be the present value of the estimated future cash flows. In assessing value in use, the assumptions used in making the estimates include pre-tax discount rates, growth rates and expected changes in selling prices and costs. The GAMESA Group estimates pre-tax discount rates which reflect the time value of money and the risks specific to the cash-generating unit. The growth rates and the changes in selling prices and costs are based on in-house and industry forecasts and experience and future expectations, respectively.

The discount rates used by the GAMESA Group are based on the weighted average cost of capital (WACC), which is between 8% and 11% (2009: between 7% and 10%), depending on the risks associated with each specific asset (see Note 8).

The future cash flows result from projections prepared by the GAMESA Group for the cash generating units, for a period of five years (which use assumptions on changes in selling prices, costs and volume based on experience and future expectations in accordance with the approved strategic plan in force) and the consideration of a residual value calculated using a growth rate between zero and 1.5%, depending on the specific asset.

If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised for the difference with a charge to the consolidated income statement. Impairment losses recognised for an asset in prior years are reversed when there is a change in the estimates concerning the recoverable amount of the asset, increasing the carrying amount of the asset, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised, except in the case of the impairment of goodwill, which must not be reversed.

m) Inventories

"Inventories" in the consolidated balance sheet includes the assets that the GAMESA Group:

- holds for sale in the ordinary course of its business;
- has in process of production, construction or development to this end; or
- expects to consume in the production process or in the provision of services.

Raw materials and supplies, work in progress and finished goods are stated at the lower of average acquisition or production cost and market value.

Goods held for resale are stated at the lower of acquisition cost and market value.

The non-current assets (basically WTGSs, fixtures and civil engineering work) of the wind farms that are included in the scope of consolidation and are held for sale are classified as inventories and are measured in the same way as other inventories, including the borrowing costs borne until they are ready for use.

If a wind farm held for sale has been in operation for over one year and has no related third-party purchase commitment, purchase option or similar agreements, the non-current assets assigned thereto are transferred from "Inventories" to "Property, Plant and Equipment - Property, Plant and Equipment in Use" in the consolidated balance sheet.

Obsolete, defective or slow-moving inventories have generally been reduced to realisable value.

n) Financial assets and liabilities

Financial assets

Financial assets are initially recognised at acquisition cost, including transaction costs.

The GAMESA Group classifies its current and non-current financial assets in four categories:

- **Financial assets at fair value through profit or loss.** These assets have certain of the following characteristics:
  - The GAMESA Group intends to generate a profit from short-term fluctuations in their prices.
  - They have been included in this asset category since initial recognition, since they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

- Derivative financial instruments that do not qualify for hedge accounting.

The financial assets included in this category are stated in the consolidated balance sheet at fair value, and the changes in fair value are recognised under "Finance Costs", "Finance Income" and "Exchange Differences (Gains and Losses)", as appropriate, in the consolidated income statement.

The GAMESA Group recognised in this category derivative financial instruments which, although they are effective as hedges in accordance with the GAMESA Group's risk management policies, do not qualify for hedge accounting under IAS 39, Financial Instruments. At 31 December 2010 and 2009, the impact of these financial instruments on the accompanying consolidated financial statements is not material (see Note 19).

- **Held-to-maturity investments.** These are financial assets with fixed or determinable payments and fixed maturity that the GAMESA Group has the positive intention to hold until the date of maturity. The assets included in this category are measured at amortised cost, and the interest income is recognised in profit or loss on the basis of the effective interest rate. The amortised cost is understood to be the initial cost minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. The effective interest rate is the discount rate that, at the date of acquisition of the asset, exactly matches the initial amount of a financial instrument to all its estimated cash flows of all kinds through its residual life.

  At 31 December 2010 and 2009, the GAMESA Group did not have any financial assets in this category.

- **Loans and receivables.** These are financial assets originated by the companies in exchange for supplying cash, goods or services directly to a debtor. The assets included in this category are also measured at amortised cost and are tested for impairment.

- **Available-for-sale financial assets.** These are financial assets not classified in any of the aforementioned three categories, nearly all of which relate to equity investments. These assets are presented in the consolidated balance sheet at fair value, which in the case of unlisted companies, is obtained using alternative methods, such as comparison with similar transactions or, if sufficient information is available, by discounting expected future cash flows. Changes in this market value are recognised with a charge or a credit to "Equity - Of the Parent - Unrealised Asset and Liability Revaluation Reserve" in the consolidated balance sheet until these investments are disposed of, at which time the accumulated balance of this heading relating to these investments is allocated in full to the consolidated income statement.

  However, investments in the share capital of unlisted companies whose fair value cannot be measured reliably are measured at acquisition cost. This procedure was used for all the available-for-sale financial assets at 31 December 2010 and 2009 (see Note 12).

Management of the GAMESA Group decides on the most appropriate classification for each asset on acquisition and reviews the classification at the end of each reporting period.

Category of financial assets at fair value

Following is an the analysis of the financial instruments which at 31 December 2010 and 2009 were measured at fair value subsequent to their initial recognition, classified in categories 1 to 3, depending on the fair value measurement method:

- Category 1: their fair value is obtained from directly observable quoted prices in active markets for identical assets and liabilities.
- Category 2: their fair value is determined using observable market inputs other than the quoted prices included in category 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Category 3: their fair value is determined using measurement techniques that include inputs for the assets and liabilities that are not directly observable market data.

Thousands of euros

	Fair value at 31 December 2010			
	Category 1	Category 2	Category 3	Total
Current financial assets				
Derivative financial instruments (Note 19)	-	812	-	812
Non-current liabilities				
Derivative financial instruments (Note 19)	-	(5,311)	-	(5,311)
Current liabilities				
Derivative financial instruments (Note 19)	-	(24,868)	-	(24,868)
	-	(29,367)	-	(29,367)

Thousands of euros

	Fair value at 31 December 2009			
	Category 1	Category 2	Category 3	Total
Current financial assets				
Derivative financial instruments (Note 19)	-	5,410	-	5,410
Current liabilities				
Derivative financial instruments (Note 19)	-	(16,255)	-	(16,255)
	-	(10,845)	-	(10,845)

Impairment of financial assets

Except for the financial assets classified at fair value through profit or loss, the financial assets are analysed by GAMESA Group management in order to test them for impairment periodically and at least at the end of each reporting period. A financial asset is impaired if there is objective evidence that the estimated future cash flows of the asset have been affected as a result of one or more events that occurred after the initial recognition of the financial asset.

The GAMESA Group considers that a significant or prolonged decrease in fair value to below cost of unlisted shares classified as available for sale is objective evidence that the instrument has become impaired.

For the other financial assets, the GAMESA Group considers the following to be objective indicators of impairment:

- financial difficulty of the issuer or significant counterparty;
- default or delinquency in interest or principal repayments; or
- likelihood that the borrowers will enter bankruptcy or a financial reorganisation process.

Cash and cash equivalents

“Cash and Cash Equivalents” in the consolidated balance sheet includes cash on hand, demand deposits and other highly liquid short-term investments that can be readily realised in cash and are not subject to a risk of changes in value (see Note 15).

Bank borrowings and other financial liabilities

Loans, bonds and similar interest-bearing items are initially recognised at the amount received, net of direct issue costs, under “Bank Borrowings” in the consolidated balance sheet. Borrowing costs are recognised on an accrual basis in the consolidated income statement using the effective interest method and they are aggregated to the carrying amount of the financial instrument to the extent that they are not settled in the year in which they arise. Also, obligations under finance leases are recognised at the present value of the lease payments under this consolidated balance sheet heading (see Note 18).

Trade payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments and hedge accounting (see Note 19)

Financial derivatives are initially recognised at acquisition cost in the consolidated balance sheet and the required valuation adjustments are subsequently made to reflect their fair value at all times. Gains and losses arising from these changes are recognised in the consolidated income statement, unless the derivative has been designated as a hedge which is highly effective, in which case it is recognised as follows:

- In the case of fair value hedges, changes in the fair value of the derivative financial instruments designated as hedges and changes in the fair value of a hedged item due to the hedged risk are recognised with a charge or credit, as appropriate, to the consolidated income statement.

- In the case of cash flow hedges and hedges of a net investment in a foreign operation, the changes in the fair value of the hedging derivatives are recognised, in respect of the ineffective portion of the hedges, in the consolidated income statement, and the effective portion is recognised under "Equity - Of the Parent - Unrealised Asset and Liability Revaluation Reserve" and "Equity - Of the Parent - Translation Differences", respectively, in the consolidated balance sheet.

  If a hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, this balance is taken into account in the initial measurement of the asset or liability arising from the hedged transaction. If a hedge of a firm commitment or forecasted transaction does not result in the recognition of a non-financial asset or a non-financial liability, the amount recognised under "Equity - Of the Parent - Unrealised Asset and Liability Revaluation Reserve" in the consolidated balance sheet is recognised in the consolidated income statement in the same period as that in which the hedged item affects the net profit or loss.

  The GAMESA Group periodically tests the effectiveness of its hedges, and the related tests are performed prospectively and retrospectively.

  When hedge accounting is discontinued, any cumulative loss or gain at that date recognised under "Equity - Of the Parent - Unrealised Asset and Liability Revaluation Reserve" is retained under that heading until the hedged transaction occurs, at which time the loss or gain on the transaction will be adjusted. If a hedged transaction is no longer expected to occur, the gain or loss recognised under the aforementioned heading is transferred to the consolidated income statement.

Derivatives embedded in other financial instruments are treated as separate derivatives in accordance with the policies described in this Note for the other derivatives when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not stated at fair value, and the changes in value are recognised with a charge or a credit to the consolidated income statement.

The market value of the various financial instruments is calculated as follows:

- The market value of derivatives listed on an organised market is their market price at year-end.

- To measure derivatives not traded on an organised market, the GAMESA Group uses assumptions based on year-end market conditions. Specifically, the fair value of interest rate swaps is calculated by discounting at a market interest rate the difference between the swap rates, and the market value of foreign currency forward contracts is determined by discounting the estimated future cash flows using the forward rates existing at year-end.

Financial liabilities and equity instruments

The financial liabilities and equity instruments issued by the GAMESA Group are classified on the basis of the nature of the issue as liabilities or equity instruments, as appropriate.

The GAMESA Group considers equity instruments to be any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Derecognition of financial instruments

The GAMESA Group derecognises financial instruments only when the contractual rights on the cash flows from the assets expire, or the financial asset and substantially all the risks and rewards of ownership are transferred to another entity.

The Group derecognises the collection rights assigned (factored) and drawn down, since the rewards, rights and risks associated with these accounts receivable are contractually transferred to the factor, and, specifically, the factor assumes the related bad debt risk. The unmatured balances receivable arising from without-recourse factoring transactions at 31 December 2010 that were derecognised by the Group, amounted to EUR 743 million (31 December 2009: EUR 874 million). The average amount of factored receivables in 2010 was EUR 414 million (2009: EUR 596 million).

ñ) Treasury shares of the Parent

The treasury shares held by the Parent of the GAMESA Group at year-end are recognised at acquisition cost with a charge to "Equity - Of the Parent - Treasury Shares" in the consolidated balance sheet (see Note 17-e).

The gains and losses obtained by the GAMESA Group on disposals of treasury shares are recognised with a charge or a credit to the Group's consolidated equity.

o) Provisions

A distinction is drawn between:

- Provisions: present obligations at the balance sheet date arising from past events which are uncertain as to their amount and/or timing.
- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events beyond the control of the consolidated companies; or possible obligations, whose occurrence is unlikely or whose amount cannot be reliably estimated.

The Group's consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled and whose amount can be measured reliably. Contingent liabilities are not recognised in the consolidated financial statements but rather are disclosed, except for those which arise in business combinations (see Notes 2-g and 22).

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

Provisions are recognised when the liability or obligation arises with a charge to the relevant heading in the consolidated income statement based on the nature of the obligation, for the present value of the provision when the effect of discounting the obligation is material.

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the best estimate of the expenditure required by the GAMESA Group to settle its liability, calculated on the basis of historical information and reports drawn up by the Technical Department (see Note 20).

Litigation and/or claims in process

At 31 December 2010, certain litigation and claims were in progress against the consolidated companies arising from the ordinary course of their operations. The Group's legal advisers and its directors consider that the provisions recognised for this purpose are sufficient and that the outcome of these proceedings and claims will not have an additional material effect on the consolidated financial statements for the years in which they are settled (see Note 20).

At 31 December 2010 and 2009, there were no significant contingent liabilities or provisions that had not been recognised or disclosed in these consolidated financial statements.

p) Termination benefits

Under current labour legislation, the consolidated companies are required to pay termination benefits to employees terminated under certain conditions.

"Staff Costs" in the consolidated income statements for 2010 and 2009 includes EUR 1,496 thousand and EUR 1,863 thousand, respectively, relating to termination benefits (see Note 27-c).

The GAMESA Group does not expect any significant dismissals or terminations to arise in the future and, accordingly, no provision was recorded in this connection in the accompanying consolidated balance sheet at 31 December 2010.

q) Share-based payment

Equity-settled share-based payments are measured at the fair value of these obligations at the date of grant. This fair value is expensed on a straight-line basis over the vesting period, based on the GAMESA Group's estimate of the shares that will ultimately be delivered (see Note 17-e).

Fair value is measured using the market prices available on the measurement date, taking into account the characteristics of the related plan. If market prices are not available, generally accepted valuation techniques for measuring financial instruments of this nature are used (see Note 17-e).

For cash-settled share-based payments, a liability equal to their current fair value determined at each balance sheet date is recognised.

r) Consolidated cash flow statement

The GAMESA Group presents the consolidated cash flow statement using the indirect method, whereby first the net profit or loss is presented, which is then corrected for the effects of non-monetary transactions, of all manner of deferred and accrued payment items resulting from collections and payments in the past or in the future, and of consolidated income statement items associated with cash flows from activities classified as investing or financing activities.

The following terms are used in the consolidated statement of cash flows with the meanings specified:

- Cash flows. Inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities. The principal revenue-producing activities of the GAMESA Group companies and other activities that are not investing or financing activities.
- Investing activities. The acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities. Activities that result in changes in the size and composition of the equity and borrowings that are not operating activities.

s) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year by the weighted average number of ordinary shares outstanding during the year, excluding the average number of GAMESA shares held.

Diluted earnings per share are calculated by dividing the net profit or loss for the year by the weighted average number of ordinary shares outstanding in the year, adjusted by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the Company. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

Basic earnings per share in 2010 and 2009 coincided with diluted earnings per share, since there were no potential shares outstanding in those years (see Note 33).

t) Dividends

Any interim dividends approved by the Board of Directors are deducted from “Equity - Of the Parent” in the consolidated balance sheet. However, the final dividends proposed by the Board of Directors of GAMESA to the shareholders at the Annual General Meeting are not deducted from equity until they have been approved by the latter.

4. Financial risk management policy

The GAMESA Group is exposed to certain financial risks that it manages by grouping together risk identification, measurement, concentration limitation and oversight systems. The GAMESA 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.

a) Market risk (foreign currency risk)

This risk arises as a result of the international transactions carried out by the GAMESA Group in the ordinary course of its business. Certain items of income are denominated in US dollars and, to a lesser extent, in other currencies other than the euro, whereas a significant portion of its costs are denominated in euros. Therefore, if the GAMESA Group did not use financial instruments to hedge its net exposure to current and future foreign currency risk, its earnings could be affected by fluctuations in the corresponding exchange rates.

In order to manage and minimise this risk, the GAMESA Group uses hedging strategies, since its objective is to generate profits only through its ordinary business, and not by speculating in relation to exchange rate fluctuations.

The GAMESA Group analyses foreign currency risk on the basis of its firm order book and the planned transactions that are highly probable on the basis of contractual evidence. Risk exposure limits are established each year for a time horizon, which is usually three years, although a time horizon of less than one year is also considered which enables the Group, where necessary, to adapt to market trends, always associated with its net cash flows.

The main foreign currency balances at 31 December 2010 and 2009 are detailed in Note 3-f to the accompanying consolidated financial statements.

The Group generally uses currency forwards to hedge this risk (see Note 19).

b) Interest rate risk

A characteristic common to all the GAMESA Group’s activities is the need to make a significant volume of investments that requires an adequate financing structure. Accordingly, the GAMESA Group uses external financing to carry on certain of its operations and, therefore, it is exposed to the risk of an increase in interest rates.

The GAMESA Group has arranged substantially all of its borrowings at floating rates and uses hedging instruments, where appropriate, to minimise the risk, basically when the financing is at long term with the concomitant risk. The hedging instruments assigned specifically to debt instruments are limited to a maximum of the same nominal amounts and have the same established maturities as the hedged items (see Note 19).

The debt structure at 31 December 2010 and 2009, drawing a distinction between fixed and floating rate borrowings (see Note 18), is as follows:

Thousands of euros

	2010		2009	
	Excluding hedges	Including hedges	Excluding hedges	Including
Fixed rate	-	460,000	-	453,113
Floating rate	814,204	354,204	1,084,477	631,364

The floating-rate debt is basically tied to the LIBOR or EURIBOR.

c) Liquidity risk

The GAMESA Group holds cash and highly liquid non-speculative short-term instruments through leading banks in order to be able to meet its future obligations. Also, it attempts to maintain a financial debt structure that is in line with the nature of the obligations to be financed and, therefore, non-current assets are financed with long-term financing (equity and non-current borrowings), whereas working capital is financed with current borrowings.

Also, in 2010 the GAMESA Group had an average of unused credit facilities equal to approximately 62.26% of the bank financing drawn down (2009: 40.69%).

d) Credit risk

The GAMESA Group is exposed to credit risk to the extent that a counterparty or customer does not meet its contractual obligations. Therefore, products and services are only sold to customers with an appropriate credit track record. In addition, since the GAMESA Group operates in the electricity industry, it has a customer base with a very good creditworthiness. However, in the case of international sales to non-recurring customers, mechanisms such as irrevocable letters of credit and insurance policies are used to ensure collection. Also, the financial solvency of customers is analysed and specific terms and conditions are included in contracts aimed at guaranteeing payment of the stipulated price (see Note 14).

Excluding the guarantees already arranged by the GAMESA Group, at 31 December 2010 the total credit risk would amount to EUR 1,632,696 thousand (31 December 2009: EUR 1,945,305 thousand) (see Note 14).

5. Estimates and sources of uncertainty

The preparation of these consolidated financial statements made it necessary for the GAMESA Group to make assumptions and estimates. The estimates with a significant effect on the accompanying consolidated financial statements are as follows:

- The GAMESA Group recognises by reference to the stage of completion revenue from wind farm and WTGS sale contracts that meet the requirements established in this connection (see Note 3-b). This requires that a reliable estimate must be made of the revenue from each contract and the total contract costs, as well as of the percentage of completion at year-end from technical and economic standpoints.
- As indicated in Note 3-l, each year the GAMESA Group tests for impairment assets for which there are indications that they might have become impaired and goodwill and intangible assets that have not yet come into service, and, therefore, it has to estimate their recoverable amount (see Notes 8, 9 and 10).
- At each year-end the GAMESA Group estimates the current provisions required for warranties for possible repairs and start-up costs that the Group will have to incur in connection with sales of WTGSs (see Notes 3-o and 20).
- The GAMESA Group made certain assumptions in order to calculate the liability arising from obligations to employees (see Notes 3-q and 18-e)
- At year-end the GAMESA Group analyses its accounts receivable and, on the basis of its best estimates, quantifies the amount thereof that could be uncollectible (see Note 14).
- At each year-end the GAMESA Group estimates its contingent liabilities (see Notes 3-o and 22).
- The GAMESA Group recognises deferred tax assets, tax loss carryforwards and unused tax credits and tax relief only to the extent that their future realisation or utilisation is sufficiently assured. In this respect, the GAMESA Group considers that the recoverability of certain tax assets recognised by the companies in the Basque Country and Navarre tax groups (see Note 25)

is guaranteed by including in the tax groups, where possible, companies with taxable profits or through other operating and commercial measures which are also available to the GAMESA Group and under its control.

Although these estimates were made on the basis of the best information available at 31 December 2010 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statements.

6. Distribution of profit

The distribution of the net profit for 2010 that the Board of Directors of GAMESA will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of euros
Basis of distribution:	
Profit for the year	57,549
	57,549
Distribution:	
To legal reserve	82
To voluntary reserves	55,796
Dividends	1,671
Total	57,549

In addition, at the date of authorisation for issue of these consolidated financial statements, as in 2009, the Board of Directors of GAMESA resolved to propose to the shareholders at the Annual General Meeting a remuneration system for the shareholders, which, in the event of being ultimately approved, would be put into practice from its approval onwards, in the second half of 2011. Under this system, GAMESA would offer its shareholders an alternative which would enable them to receive bonus shares of the Company without limiting their entitlement to receive an equivalent amount in cash.

This option would be instrumented through a bonus issue, which must be approved by the shareholders at GAMESA's General Meeting. In the bonus issue, each shareholder of the Company will receive a bonus issue right for each GAMESA share. The aforementioned rights received would be traded on the Madrid, Barcelona, Bilbao and Valencia stock markets.

Based on the alternative chosen, each GAMESA shareholder may receive either new bonus shares of the Company or a cash amount arising from the sale of the rights to GAMESA (by virtue of the obligation acquired by the Company, at a guaranteed fixed price) or in the market (in which case the consideration would vary on the basis of the market price of the bonus issue rights).

The bonus issue would be performed free of charges and fees for the subscribers with regard to the allocation of the new shares issued. GAMESA would assume the issue, subscription and admission to listing expenses in addition to any other bonus issue costs.

7. Segment reporting

The main criteria applied when defining the segment information of the GAMESA Group included in the accompanying consolidated financial statements are as follows:

The segments were taken to be business units, since the GAMESA Group is organisationally structured in this manner, and the internal information generated for the Board of Directors and senior management is also structured in this way. Information is presented on the main segments and the "Consolidation Adjustments" column includes the adjustments and eliminations arising from the consolidation process.

The operating segments identified are as follows:

- Manufacture of WTGSs and wind power components ("Manufacturing")
- Development, promotion and sale of wind farms ("Generation").

Segment information about these operating segments is presented below:

a) Revenue

The breakdown, by segment, of consolidated revenue for the years ended 31 December 2010 and 2009 is as follows:

	Thousands of euros	
Segment	2010	2009
Manufacturing	2,597,135	3,113,979
Generation	428,871	520,116
Consolidation adjustments	(290,361)	(447,010)
Consolidated revenue	2,735,645	3,187,085

b) Net profit

The breakdown, by segment, of the contribution to the profit after tax for the years ended 31 December 2010 and 2009 is as follows:

	Thousands of euros	
Segment	2010	2009
Manufacturing	63,772	143,666
Generation	(5,252)	(25,737)
Consolidation adjustments	(8,328)	(3,263)
Net profit for the year	50,192	114,666

c) Investment in assets

The detail of the total cost incurred in the acquisition of property, plant and equipment and other intangible assets in the years ended 31 December 2010 and 2009 is as follows (see Notes 9 and 10):

	Thousands of euros			
	2010		2009	
	Other intangible assets	Property, plant and equipment	Other intangible assets	Property, plant and equipment
Manufacturing	46,879	81,334	48,434	78,803
Generation	32	10,540	52	468
Investment in assets	46,911	91,874	48,486	79,271

d) Depreciation and amortisation charge and provisions

The breakdown, by segment, of the depreciation and amortisation charge and of the expense relating to provisions for the years ended 31 December 2010 and 2009 is as follows:

	Thousands of euros	
Segment	2010	2009
Manufacturing	210,169	204,324
Generation	(1,495)	13,113
Depreciation and amortisation charge and provisions	208,674	217,437

e) Assets and liabilities

The detail, by segment, of the assets and liabilities at 31 December 2010 is as follows:

				Thousands of euros
	Manufacturing	Generation	Consolidation adjustments	Total at 31/12/09
Property, plant and equipment and other intangible assets	582,127	12,423	1	594,551
Goodwill and other non-current assets	647,318	115,565	1	762,884
Current assets	3,333,541	1,257,779	(1,007,644)	3,581,676
Total assets	4,560,986	1,385,767	(1,007,642)	4,939,111
Equity	1,237,372	419,004	(27,674)	1,628,702
Bank borrowings and other financial liabilities	700,574	113,630	-	814,204
Other non-current liabilities	321,207	9,831	-	331,038
Other current liabilities	2,301,833	843,302	(979,988)	2,165,167
Total equity and liabilities	4,560,986	1,385,767	(1,007,642)	4,939,111

The detail, by segment, of the assets and liabilities at 31 December 2009 is as follows:

				Thousands of euros
	Manufacturing	Generation	Consolidation adjustments	Total at 31/12/09
Property, plant and equipment and other intangible assets	565,283	4,675	(1)	569,957
Goodwill and other non-current assets	615,876	88,684	5,770	710,330
Current assets	2,762,201	1,394,888	(525,247)	3,631,842
Total assets	3,943,360	1,488,247	(519,478)	4,912,129
Equity	1,092,048	497,127	(13,576)	1,575,599
Bank borrowings and other financial liabilities	769,905	314,572	-	1,084,477
Other non-current liabilities	354,285	6,497	-	360,782
Other current liabilities	1,727,122	670,051	(505,902)	1,891,271
Total equity and liabilities	3,943,360	1,488,247	(519,478)	4,912,129

Geographical information

In addition, the GAMESA Group currently operates in the following geographical markets:

- Spain
- Rest of Europe
- United States
- China
- India
- Rest of the world

The most significant disclosures in this connection are as follows:

a) Revenue

The breakdown, by geographical segment, of revenue at 31 December 2010 and 2009 is as follows:

	31.12.10		31.12.09	
Geographical area	Thousands of euros	%	Thousands of euros	%
Spain	309,673	11.4%	990,744	31.1%
Rest of Europe	902,317	32.9%	1,045,798	32.8%
United States	723,322	26.4%	567,235	17.8%
China	357,625	13.1%	235,367	7.4%
India	189,017	6.9%	-	0.0%
Rest of the world	253,691	9.3%	347,941	10.9%
Total	2,735,645	100.0%	3,187,085	100.0%

b) Total assets

The detail, by geographical segment, of the total assets at 31 December 2010 and 2009 is as follows:

	31.12.10		31.12.09	
Geographical area	Thousands of euros	%	Thousands of euros	%
Spain	2,609,306	52.8%	3,252,535	66.2%
Rest of Europe	502,147	10.2%	457,588	9.3%
United States	1,037,863	20.9%	627,079	12.8%
China	343,604	7.0%	250,114	5.1%
India	170,498	3.5%	-	0.0%
Rest of the world	275,694	5.6%	324,813	6.6%
Total	4,939,111	100.0%	4,912,129	100.0%

c) Investment in assets

The detail, by geographical segment, of the investments in property, plant and equipment and other intangible assets in 2010 and 2009 is as follows:

	31.12.10		31.12.09	
Geographical area	Thousands of euros	%	Thousands of euros	%
Spain	105,065	75.7%	113,031	88.5%
Rest of Europe	462	0.3%	1,417	1.1%
United States	8,494	6.1%	8,949	7.0%
China	20,407	14.8%	2,561	2.0%
India	4,315	3.1%	-	0.0%
Rest of the world	42	-	1,799	1.4%
Total	138,785	100.0%	127,757	100.0%

8. Goodwill

The changes in “Goodwill” in the consolidated balance sheets in 2010 and 2009 were as follows:

Thousands of euros

	Balance at 01/01/09	Transfer of assets classified as held for sale	Balance at 31/12/09	Balance at 31/12/10
Manufacturing segment	311,384	1,116	312,500	312,500
Generation segment	-	74,758	74,758	74,758
	311,384	75,874	387,258	387,258

As indicated in Note 3-c, each year the Group assesses whether its goodwill has become impaired. In this regard, for the purposes of performing the impairment test, the goodwill was allocated to each of the two operating segments identified by the Group (see Note 7): "Manufacturing" and "Generation", since they are both the smallest identifiable groups of assets that the Group's directors use to monitor them, as provided for in IAS 36.

Goodwill allocated to the "Manufacturing" segment

For the goodwill identified with the WTGS and wind energy component manufacturing segment (see Note 7), the recoverable amount of the associated cash generating units taken as a whole was measured by reference to their value in use, which was calculated on the basis of cash flow projections (approved by management) which represent the best estimates covering a period of five years and an estimated residual value as a perpetual return of a year that does not contain cyclical or seasonal factors, with a growth rate of 1.5%.

The cash flows considered correspond to those generated by all the companies in the "Manufacturing" segment, engaging in general in the design, development, manufacture and sale of WTGSs and their related components, and the research and development associated therewith. These production activities are planned and management on a joint basis by management of GAMESA.

In order to calculate value in use, the assumptions made include the discount rates based on the weighted average cost of capital (WACC), include the factors involved in which the time value of money and the risks associated with the cash generating units, which stand at between 8% and 11%.

From the business standpoint, the following key assumptions were made:

- Gradual improvement in the MW sold in the coming years, regaining in 2012 the sales volume achieved in 2008 and attaining a level of 4,000 MW in 2013.
- Appearance of new products and improvements to existing ones, and penetration of emerging markets and consolidation in the US, China and India.
- Reduction in average income per MW in 2011, regaining previous levels in 2013, as a result of the appearance of new products and a recovery of the gross margin in 2012-2013 as a result of the cost improvement plans already initiated.
- Alignment of production with order inflows and inventory optimisation.

Goodwill allocated to the "Generation" segment

As regards the goodwill allocated to the segment of development, promotion and sale of wind farms (see Note 7), the recoverable amount of the associated cash generating units taken as a whole was measured on the basis of a hypothetical wind farm development backlog valued at approximately 22,000 MW, at different levels of development ("virtually sure", "probable" and "possible"), assigning various probabilities on the basis of the range considered, calculated based on the experience in wind farms installed during the last four years. Also, a price per MW is considered on the basis of annual production, calculating a value for future MWs decreasing over time in order to reflect the time value of money.

For both the cash-generating units, the most relevant parameters are:

- Revenue
- Profit/Loss from operations
- Working capital
- Investments in non-current assets

Based on the estimates and projections available to the directors of GAMESA, the income forecasts attributable to each of the cash generating units to which the aforementioned goodwill was allocated adequately support the amounts of goodwill recognised and, therefore, no problems regarding the recovery of the aforementioned goodwill were detected. Also, from the sensitivity analysis standpoint, changes of 10% in the discount rate or in the projected residual value do not entail the need to recognise any impairment.

9. Other intangible assets

The changes in “Other Intangible Assets” in the consolidated balance sheet in 2010 and 2009 were as follows:

Thousands of euros

	Development expenditure	Concessions, patents, licences, trademarks and other	Computer software	Advances	Total
Cost -					
Balance at 01/01/09	202,533	21,539	25,015	3,852	252,939
Additions	40,363	-	2,615	5,508	48,486
Disposals	(776)	-	(19)	-	(795)
Translation differences	-	(4)	(5)	-	(9)
Transfer from assets classified as held for sale	-	692	1,395	-	2,087
Transfers	-	-	6,593	(6,593)	-
Balance at 31/12/09	242,120	22,227	35,594	2,767	302,708
Additions	39,221	-	2,677	5,013	46,911
Disposals	-	-	(73)	-	(73)
Translation differences	(3)	13	14	-	24
Transfers	58	-	4,319	(4,321)	56
Balance at 31/12/10	281,396	22,240	42,531	3,459	349,626
Accumulated amortisation -					
Balance at 01/01/09	(95,513)	(9,046)	(12,291)	-	(116,850)
Charge for the year (Note 27-e)	(23,458)	(3,141)	(5,516)	-	(32,115)
Translation differences	-	1	3	-	4
Disposals	118	-	17	-	135
Transfer from assets classified as held for sale	-	(178)	(1,159)	-	(1,337)
Balance at 31/12/09	(118,853)	(12,364)	(18,946)	-	(150,163)
Charge for the year (Note 27-e)	(23,943)	(3,133)	(5,593)	-	(32,669)
Translation differences	-	(2)	(6)	-	(8)
Disposals	-	-	72	-	72
Transfers	(68)	-	12	-	(56)
Balance at 31/12/10	(142,864)	(15,499)	(24,461)	-	(182,824)
Impairment losses -					
Balance at 01/01/09	-	-	-	-	-
Impairment loss recognised in the year	125	-	-	-	125
Amounts used	(125)	-	-	-	(125)
Balance at 31/12/09	-	-	-	-	-
Impairment loss recognised in the year					
Amounts used	-	-	-	-	-
Balance at 31/12/10	-	-	-	-	-
Total other intangible assets at 31/12/09	123,267	9,863	16,648	2,767	152,545
Total other intangible assets at 31/12/10	138,532	6,741	18,070	3,459	166,802

In 2010 the main addition to "Development Expenditure" was due to the development in the WTGS manufacturing segment (mainly at the subsidiary Gamesa Innovation and Technology, S.L. (Sole-Shareholder Company), of new WTGS models and to the optimisation of the performance of their components amounting to approximately EUR 33,095 thousand (2008: approximately EUR 34,490 thousand).

The capitalised development expenditure will be recovered through the marketing of wind generator models which include the developed technology.

Fully amortised intangible assets in use at 31 December 2010 and 2009 amounted to approximately EUR 110,873 thousand and EUR 81,275 thousand, respectively.

At 31 December 2010, the GAMESA group had intangible asset purchase commitments amounting to EUR 7,420 thousand (31 December 2009: EUR 11,254 thousand).

10. Property, plant and equipment

The changes in "Property, Plant and Equipment" in the consolidated balance sheet in 2010 and 2009 were as follows:

	Thousands of euros				
	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	Total
Cost -					
Balance at 01/01/09	146,346	172,883	218,871	25,980	564,080
Net additions (disposals) due to changes in the scope of consolidation (Note 2-g)	84,362	-	-	242	84,604
Additions	2,573	17,510	36,210	22,978	79,271
Disposals	(867)	(5,775)	(3,747)	(135)	(10,524)
Transfer of assets classified as held for sale	422	6,506	4,027	1,296	12,251
Translation differences	(2,076)	(1,786)	(1,021)	(111)	(4,994)
Transfers	23,867	8,888	5,405	(37,534)	626
Balance at 31/12/09	254,627	198,226	259,745	12,716	725,314
Additions	2,003	16,144	35,515	38,212	91,874
Disposals	(1,426)	(9,030)	(4,939)	(139)	(15,534)
Translation differences	5,105	4,498	2,993	(407)	12,189
Transfers	(5,593)	6,973	5,142	(3,850)	2,672
Balance at 31/12/10	254,716	216,811	298,456	46,532	816,515
Accumulated depreciation -					
Balance at 01/01/09	(20,735)	(97,509)	(114,239)	-	(232,483)
Net additions (disposals) due to changes in the scope of consolidation (Note 2-g)	(3,470)	-	-	-	(3,470)
Charge for the year (Note 29-e)	(7,341)	(23,283)	(36,754)	-	(67,378)
Disposals	70	2,511	1,186	-	3,767
Transfer of assets classified as held for sale	-	(4,006)	(3,067)	-	(7,073)
Translation differences	287	802	599	-	1,688
Transfers	-	(745)	16	-	(729)
Balance at 31/12/09	(31,189)	(122,230)	(152,259)	-	(305,678)

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Thousands of euros

	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	Total
Charge for the year (Note 29-e)	(14,632)	(22,116)	(33,117)	-	(69,865)
Disposals	20	7,868	4,002	-	11,890
Translation differences	(714)	(1,918)	(1,677)	-	(4,309)
Transfers	92	(2,856)	(106)	-	(2,870)
Balance at 31/12/10	(46,423)	(141,252)	(183,157)	-	(370,832)
Impairment losses -					
Balance at 01/01/09	-	(378)	-	-	(378)
Impairment loss recognised in the year	-	(1,715)	-	-	(1,715)
Translation differences	-	(131)	-	-	(131)
Balance at 31/12/09	-	(2,224)	-	-	(2,224)
Impairment loss recognised in the year	(1,091)	(14,323)	-	-	(15,414)
Translation differences	-	(296)	-	-	(296)
Balance at 31/12/10	(1,091)	(16,843)			(17,934)
Total property, plant and equipment at 31/12/09	223,438	73,772	107,486	12,716	417,412
Total property, plant and equipment at 31/12/10	207,202	58,716	115,299	46,532	427,749

The main additions in 2010 and 2009 were due to the investment in the new Aoiz (Navarre) plant for the manufacture of the G10X blade and its manufacturing prototypes, which represent a significant portion of the additions to "Plant and Machinery" and "Property, Plant and Equipment in the Course of Construction". The additions to "Other Items of Property, Plant and Equipment" relate to additions of items related to the manufacture of the new G10X blade.

At 31 December 2010 and 2009, the GAMESA Group's gross property, plant and equipment included approximately EUR 3,226 thousand relating to the value of various assets of the GAMESA Group held under finance leases, which were classified under the relevant heading on the basis of their nature (see Note 18). At 31 December 2010 and 2009, the minimum lease payments in this connection were as follows (in thousands of euros):

	2010	2009
2011	318	310
2012 and subsequent years	551	869
Total payable	869	1,179
Finance cost	29	54
Present value of lease payments	840	1,125
Total payable	869	1,179

Fully depreciated items of property, plant and equipment in use amounted to EUR 166,860 thousand at 31 December 2010 (31 December 2009: EUR 134,847 thousand). At 31 December 2010, these items related mainly to moulds and tools for the manufacture of WTGSs.

At 31 December 2010, the GAMESA Group companies had property, plant and equipment purchase commitments amounting to approximately EUR 12,102 thousand (2009: EUR 7,516 thousand), relating mainly to production facilities and newly-developed WTGSs and their components.

The GAMESA Group takes out insurance policies to adequately insure its property, plant and equipment. Also, the GAMESA Group has taken out insurance policies to cover the WTGSs while they are being assembled and during their two-year warranty period.

In 2010 the Company recognised impairment losses amounting to EUR 15,414 thousand under "Net Impairment Losses" in the accompanying income statement (2009: EUR 1,715 thousand). Of the total, EUR 12,500 thousand relates to impairment recognised on the property, plant and equipment of Sistemas Energéticos Almodóvar del Río, S.L. (Sole-Shareholder Company), which was allocated to the positive difference between the cost paid for the company in 2009 and the underlying carrying amount acquired. These assets are integrated in the Manufacturing segment (see Note 7).

GAMESA's directors consider that at 2010 year-end the recoverable amount of the aforementioned property, plant and equipment (calculated on the basis of the fair value thereof less costs to sell) was EUR 12,500 thousand lower than the carrying amount at which it had been recognised. The aforementioned recoverable amount was estimated by taking as a reference prices corresponding to non-binding offers received by GAMESA at year-end, and similar transactions, all of which were performed on an arm's length basis between unrelated, knowledgeable and willing parties.

11. Investments accounted for using the equity method

The detail of the investments in associates of the GAMESA Group at 31 December 2010 and 2009 is as follows:

	Thousands of euros	
Company	2010	2009
Windar Renovables, S.L. (Note 30)	38,732	51,675
Worldwater & Solar Technologies, Inc. (Note 2-g)	2,243	-
Skybuilt Power, Inc. (Note 2-g)	4,303	-
Other	22	27
	45,300	51,702

The changes in 2010 and 2009 in this heading in the consolidated balance sheet were as follows:

	Thousands of euros	
	2010	2009
Beginning balance	51,702	50,107
Changes in the scope of consolidation (Note 2-g)	6,546	-
Profit for the year	2,052	1,568
Impairment loss recognised in the year	(15,000)	-
Transfer of assets classified as held for sale	-	27
Ending balance	45,300	51,702

"Changes in the Scope of Consolidation" includes the cost corresponding to the investments in the share capital of the US companies Worldwater & Solar Technologies Inc. y Skybuilt Power, Inc., corresponding to 25% and 28.75% of the fair value of the net assets acquired.

The detail of the consolidated assets, liabilities, income and expenses of Windar Renovables S.L. and Subsidiaries and of the assets, liabilities, income and expenses of Worldwater & Solar Technologies Inc. and Skybuilt Power, Inc. at 31 December 2010 is as follows:

	Thousands of euros		
	Windar Renovables, S.L. y sdades. dep.	Worldwater & Solar Technologies, Inc	Skybuilt Power, Inc.
Total non-current assets	28,446	1,599	6
Total current assets	68,670	140	3,331
TOTAL ASSETS	97,116	1,739	3,337
Total equity	55,731	1,198	2,881
Total non-current liabilities	2,157	187	-
Total current liabilities	39,228	354	456
TOTAL EQUITY AND LIABILITIES	97,116	1,739	3,337

	Thousands of euros		
	Windar Renovables, S.L. y sdades. dep.	Worldwater & Solar Technologies, Inc	Skybuilt Power, Inc.
Total expenses	102,225	(1,574)	(974)
PROFIT (LOSS) BEFORE TAX	6,478	(529)	(698)
Income tax expense	(54)	-	-
PROFIT (LOSS) AFTER TAX	6,424	(529)	(698)

In 2007 the GAMESA Group and the DANIEL ALONSO Group entered into an agreement whereby the latter subscribed in full the capital increase of the GAMESA Group company Windmill Towers, S.L.U. (the company to which the financial investments of GAMESA in the Group companies engaged in the manufacture of WTGS towers were contributed), thereby diluting the GAMESA Group's ownership interest in this company to 32%.

The loss of control over the contributed companies by the GAMESA Group which received in exchange an equity investment in an associate, the configuration of which differs significantly from that of the pre-existing Windmill Towers S.L. (Sole-Shareholder Company), led GAMESA to consider the transaction as an exchange with commercial substance.

Additionally, the GAMESA Group and Windmill Towers, S.L. (subsequently Windar Renovables, S.L.) reached an agreement for the supply of sections of WTGS towers stipulating a minimum volume of deliveries to be attained by Windmill Towers, S.L. At 31 December 2010, the two parties were negotiating the new terms and conditions of the supply agreement.

In 2014 the DANIEL ALONSO Group must inform GAMESA in writing of its intention as regards the total or partial transfer of its ownership interest in Windar Renovables, S.L. Whether the DANIEL ALONSO intends to transfer its ownership interest in Windar Renovables, S.L. or whether it decides to continue to hold it, mechanisms would be activated to facilitate the sale by GAMESA of its ownership interest in Windar Renovables, S.L.

In 2010 the Company recognised EUR 15,000 thousand under "Net Impairment Losses" in the accompanying consolidated income statement relating to impairment of the investment in Windar Renovables, S.L. as a result of the fall-off of activity suffered by this associate, which led to a decrease in the cash flows generated by it on which the fair value of the company was based at the time of the business combination.

GAMESA's directors consider that the recoverable amount of this investment at 2010 year-end (calculated on the basis of its value in use) was EUR 15,000 thousand lower than the carrying amount at which it was recognised. Value in use was calculated on the basis of the cash flow projections (approved by Windar Renovables, S.L. management) that represent the best estimates covering a period of five years and an estimated residual value as a perpetual return of a year that does not contain cyclical or seasonal factors, with a growth rate equal to 1.5%. In order to calculate value in use, the assumptions made include the discount rates based on the weighted average cost of capital (WACC), the factors involved in which include the time value of money and the risks associated with the aforementioned investment, which stood at between 7% and 9%.

12. Non-current financial assets

The changes in "Non-Current Financial Assets" in the accompanying consolidated balance sheet in 2010 and 2009 were as follows:

Thousands of euros

	Balance at 31/12/09	Changes in the scope of consolidation (Note 2-g)	Additions	Translation differences	Disposals	Balance at 31/12/10
Investment securities	4,815	16,250	11,418	277	(1,529)	31,231
Other non-current financial assets	73,356	-	4,931	160	(1,206)	77,241
	78,171	16,250	16,349	437	(2,735)	108,472

Thousands of euros

	Balance at 01/01/09	Additions	Translation differences	Dispo-sals	Transfer of assets classified as held for sale	Transfers to current financial assets	Balance at 31/12/09
Investment securities	143	2,120	-	(484)	3,042	(6)	4,815
Other non-current finan-cial assets	65,183	8,223	(9)	(1,724)	1,688	(5)	73,356
	65,326	10,343	(9)	(2,208)	4,730	(11)	78,171

a) Investment securities

The detail of the cost of acquisition of the most representative long-term investment securities at 31 December 2010 and 2009 is as follows:

Thousands of euros

	31/12/10	31/12/09	% of ownership at 31/12/10	% of ownership at 31/12/09
Zhan Yu Assets Management	-	1,245	-	9%
Anqiu Taipingshan Wind Power Co. Ltd. (Note 2-g)	2,219	-	10%	100%
CGN Wind Power Co. Ltd.	2,127	-	25%	-
Jianping Shiyingzi Wind Power Co. Ltd. (Note 2-g)	4,437	-	25%	100%
Yishui Tangwangshan Wind Power Co. Ltd. (Note 2-g)	1,943	-	25%	100%
Wendeng Zhangjiachan Wind Power Co. Ltd. (Note 2-g)	7,651	-	40%	100%
Neimenggu Huadian Meiguiying Wind Power Co. Ltd.	2,834	813	25%	25%
CGN Changgao Wind Power Co. Ltd	4,660	-	25%	-
First State Marine Queen LLC.	2,217	-	51%	-
Other (of less than EUR 1,000 thousand)	3,143	2,757		
	31,231	4,815		

All the financial assets included under “Non-Current Financial Assets - Investment Securities” are recognised at acquisition cost since these companies’ shares are not listed on organised markets and, therefore, their market value cannot be reliably calculated. In any case, the GAMESA Group considers that any difference between the carrying amount and the fair value would not be material.

In 2010 and 2009 the GAMESA Group invested in the share capital of various Chinese companies (wind farms), in general holding ownership interests of 25% to 40% (see Note 2-g). Despite holding ownership interests of more than 20%, GAMESA’s directors consider that significant influence does not exist at these companies since there is no power to participate in decisions regarding the financial and operating policies of these companies. In general, the GAMESA Group invests in the share capital of these companies solely in order to propitiate the obtainment of the related permits to develop these wind farms and construct and sell WTGSs thereto. Also, all the share purchase agreements entered into by the Group provide for a put option for GAMESA at the underlying carrying amount of the company at the time of exercise, once manufacture of the WTGSs has been completed.

b) Other non-current financial assets

The detail of “Other Non-Current Financial Assets” in the consolidated balance sheets at 31 December 2010 and 2009 of the GAMESA Group is as follows:

Thousands of euros

	31/12/10	31/12/09	Interest rate	Maturity
Long-term deposits and guarantees given (Note 27-d)	5,546	3,696	Euribor + spread	2012-2018
Other long-term loans	71,695	69,660	Euribor + spread	2012-2013
Total	77,241	73,356		

Under “Other Long-Term Loans” the Group includes basically an amount of EUR 68,666 thousand corresponding to the loan granted by GAMESA to Toler Inversiones 2007, S.L. This loan, for an initial amount of EUR 60 million, was granted to partially finance the acquisition of Gamesa Solar, S.A.U. from GAMESA by the aforementioned company on 24 April 2008. This loan matures on 24 April 2012, will be repaid in full at the maturity date and earns interest tied to EURIBOR plus a market spread. In 2009 GAMESA reached an agreement with Toler Inversiones 2007 S.L. whereby the interest earned on the loan from the date it was granted is added to the loan principal and will be paid together with the principal on maturity.

This interest, recognised under “Finance Income” in the accompanying consolidated income statement (see Note 27-f) amounted to EUR 2,638 thousand in 2010 (2009: EUR 3,321 thousand). The Parent’s directors estimate that there will be no problems of collectability upon maturity of the loan.

This heading also includes EUR 700 thousand and EUR 965 thousand relating to loans granted to executives of the former Gamesa Solar, S.A.U. Group companies (sold in 2008, see Note 8) and Global Energy Services, S.A. (formerly known as Gamesa Energía Servicios, S.A. and sold in 2006), respectively (31 December 2009: EUR 900 thousand and EUR 1,210 thousand, respectively). These loans, which mature in 2013 and 2012, respectively, will be repaid in full on expiry of the respective agreements. The Company recognised EUR 332 thousand (2009: EUR 311 thousand) relating to interest receivable on these loans at 31 December 2010, which will also be paid in full on maturity.

Lastly, under “Long-Term Deposits and Guarantees Given” the Group recognises mainly the guarantees provided to secure compliance with the obligations assumed by the Company, principally under leases (see Note 27-d).

13. Inventories

The detail of “Inventories” at 31 December 2010 and 2009 is as follows:

	Thousands of euros	
	2010	2009
Goods held for resale	1,093	1,347
Raw materials and supplies	371,700	295,816
Work in progress and finished goods	474,396	475,547
Advances to suppliers	38,701	39,949
Inventory write-downs (Note 27-e)	(42,123)	(28,303)
Total	843,767	784,356

At 31 December 2010 and 2009, there were no inventories provided to secure the payment of debts or in relation to any other obligations to third parties.

14. Trade and other receivables

The detail of "Trade and Other Receivables" in the consolidated balance sheets at 31 December 2010 and 2009 is as follows:

	Thousands of euros	
	2010	2009
Trade and other receivables	712,586	768,886
Construction contract receivables (Notes 3-b and 16)	580,916	677,631
Allowance for uncollectible receivables	(2,556)	(10,947)
Total trade and other receivables	1,280,946	1,435,570

All the aforementioned balances mature in less than twelve months and are non-interest-earning. Therefore, their realisable value does not differ significantly from their carrying amount.

"Allowance for Uncollectible Receivables" includes the balances receivable in relation to which there are doubts as to their recoverability (see Note 3-n). At each reporting date, the GAMESA Group analyses the recoverability of uncollected past-due amounts and potential problems relating to the collection of unmatured items.

15. Cash and cash equivalents

The breakdown of "Cash and Cash Equivalents" in the accompanying consolidated balance sheets at 31 December 2010 and 2009 is as follows:

	Thousands of euros	
	2010	2009
Cash in euros	590,517	462,703
Cash in foreign currency (Note 3-f)	345,468	226,312
Liquid assets maturing at less than three months	77,171	112,423
Total	1,013,156	801,438

"Cash and Cash Equivalents" includes mainly the Group's cash and short-term bank deposits with an initial maturity of three months or less. The bank accounts earn interest at market rates. There are no restrictions on the use of the balances.

16. Contract revenue recognised by reference to the stage of completion

The amount of revenue (variation in the stage of completion resulting from sales recognised by reference to the stage of completion) on the firm WTGS and wind farm sales contracts which at 31 December met the requirements indicated in Note 3-b for the application of the percentage of completion method in 2010 and 2009 amounted to EUR 397,669 thousand and EUR 611,094 thousand, respectively, and is recognised under "Revenue" in the consolidated income statements for 2010 and 2009, respectively. For uncompleted contracts at 31 December 2010, the cumulative amount of costs incurred and revenue recognised until that date amounted to EUR 2,090,714 thousand (EUR 2,466,243 thousand for uncompleted contracts at 31 December 2009).

Accounts receivable from contract customers for sales recognised by reference to the stage of completion included under "Trade and Other Receivables", net of the advances received at 31 December 2010, amounted to EUR 580,916 thousand (31 December 2009: EUR 677,631 thousand) (see Note 14).

Accounts receivable from contract customers for sales recognised by reference to the stage of completion included under "Trade Receivables from Related Companies", net of the advances received (see Note 30) at 31 December 2010, amounted to EUR 171,990 thousand (31 December 2009: EUR 308,360 thousand).

17. Equity of the Parent

a) Share capital

On 28 May 2010, the shareholders at the Annual General Meeting of Gamesa Corporación Tecnológica, S.A. resolved to increase capital through a bonus issue of ordinary shares to be allocated to the Company's shareholders with a charge to unrestricted reserves for a maximum reference market value of EUR 29 million gross. The aforementioned capital increase was approved by the shareholders at the Annual General Meeting of GAMESA in order to implement, in place of what had been the traditional payment of dividends out of 2009 profit, a new system for remunerating the shareholders, namely a scrip issue called "Gamesa Dividendo Flexible". With this new system GAMESA endeavoured to:

(i) offer its shareholders a new alternative that would allow them to decide whether they would prefer to receive all or a portion of their remuneration in cash or in the Company's new bonus shares;

(ii) allow those shareholders who so desire to benefit from the favourable tax treatment applicable to bonus issues, without limiting in any way the possibility of receiving the amount of the remuneration corresponding to them in cash; and

(iii) improve its dividend policy and bring it into line with the latest transactions carried out by other Spanish and international companies.

Depending on the alternative chosen, each of GAMESA's shareholders received either new bonus shares of the Company, or a cash amount as a result of selling the rights assigned at no charge either to GAMESA or in the market.

The bonus issue would be performed free of charges and fees for the subscribers with regard to the allocation of the new shares issued. GAMESA assumed the issue, subscription and admission to listing expenses in addition to any other bonus issue costs.

After the period established to apply for remuneration and trading, on 19 July 2010 GAMESA issued a total of 2,409,913 shares, representing an increase of EUR 409,685 in the previous share capital with a charge to "Equity - Of the Parent - Reserves - Other Reserves". Also, for the remaining shareholders who opted to receive a cash amount as a result of the sale of the rights to GAMESA, the amount paid was EUR 9,772 thousand (EUR 0.116 per right) with a charge to "Equity - Of the Parent - Reserves - Other Reserves". At 31 December 2010, there were no amounts not yet paid in this connection. As a result of the aforementioned capital increase through a bonus issue, GAMESA was assigned at zero cost 48,249 shares (see Note 17-e) (of which 18,250 shares relate to the equity swap - see Note 18).

At 31 December 2010, the share capital of Gamesa Corporación Tecnológica, S.A. amounted to EUR 41,771 thousand (31 December 2009: EUR 41,361 thousand) and was composed of 245,709,817 fully subscribed and paid ordinary shares (243,299,904 ordinary shares at 31 December 2009) of EUR 0.17 par value each, traded by the book-entry system.

Per public information in the possession of GAMESA, the shareholder structure of GAMESA at 31 December 2010 and 2009 was as follows:

	% of ownership 2010	% of ownership 2009
Iberdrola, S.A.	19.58%	14.10%
Blackrock Inc.	-	9.01%
Norges Bank	3.09%	-
Lolland, S.A.	-	5.00%
Other (*)	77.33%	71.89%
Total	100.00 %	100.00 %

(*) All with an ownership interest of less than 3%.

Since 31 October 2000, GAMESA's shares have been listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges and have been traded on the Spanish Stock Market Interconnection System.

The main objectives of the GAMESA Group's capital management are to ensure short- and long-term financial stability, the positive market performance of the shares of GAMESA, the adequate financing of its investments or the reduction of the GAMESA Group's borrowing levels, all of which ensure that the GAMESA Group maintains its financial fortitude and the soundness of its financial ratios on which the foundations of its business are based and maximise shareholder value (see Note 18).

The ratios of debt (net of cash) to equity attributable to the Parent that are reflected in Note 18 are as follows:

	Thousands of euros	
	2010	2009
Non-current liabilities		
Bank borrowings (Note 18)	556,725	396,490
Current liabilities		
Bank borrowings (Note 18)	257,479	687,987
Total bank borrowings	814,204	1,084,477
Cash and cash equivalents	1,013,156	801,438
Bank borrowings net of cash	(198,952)	283,039
Total equity of the Parent	1,623,654	1,570,538
Ratio of debt (net of cash) to equity attributable to the Parent	(12.25)%	18.02%

b) Share premium

The Spanish Limited Liability Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

c) Unrealised asset and liability revaluation reserve

The changes in this reserve in 2010 and 2009 were as follows:

Thousands of euros

	01/01/09	Change in fair value	Amount taken to profit or loss	31/12/09	Change in fair value	Amount taken to profit or loss	31/12/10
Cash flow hedges:							
Interest rate swaps (Note 19)	(6,950)	(15,973)	13,835	(9,088)	(12,817)	9,512	(12,393)
Currency forwards (Note 19)	(8,257)	5,021	982	(2,254)	2,045	-	(209)
	(15,207)	(10,952)	14,817	(11,342)	(10,772)	9,512	(12,602)
Deferred taxes arising on revaluation of unrealised assets and liabilities (Note 23)	2,050	5,223	(4,279)	2,994	3,909	(2,838)	4,065
Total	(13,157)	(5,729)	10,538	(8,348)	(6,863)	6,674	(8,537)

d) Other reserves

The detail of "Other Reserves" in the consolidated balance sheet is as follows:

Thousands of euros

	2010	2009
Restricted reserves -		
Legal reserve	8,272	8,272
Revaluation reserve	729	1,139
Reserve for redenomination of capital in euros	1	1
Reserve for treasury shares	34,188	32,310
	43,190	41,722
To voluntary reserves	248,581	152,298
Reserves attributable to the consolidated companies	1,163,340	1,107,520
Reserve of companies accounted for using the equity method (Note 11)	4,385	2,817
Reserves of proportionately consolidated companies	(220)	234
Reserves of fully consolidated companies	1,159,175	1,104,469
Total	1,411,921	1,301,540

Legal reserve

Under the Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that other reserves are not available for this purpose. At 2010 year-end this reserve had not reached the stipulated level.

Revaluation reserve Álava Regulation 4/1997 (see Note 10)

The "Revaluation Reserve" account reflects the net effect of the asset revaluation approved by Álava Regulation 4/1997, of 7 February, of which GAMESA availed itself. Since the stipulated period for the verification of this reserve has elapsed, it can be used to offset losses, increase capital or set up restricted reserves. In 2010 GAMESA used EUR 410 thousand to increase share capital, pursuant to the resolution adopted by the shareholders at the Annual General Meeting, as described in Note 17-a.

e) Treasury shares

On 28 May 2010, as in prior years, the shareholders at the Annual General Meeting of GAMESA resolved to authorise the acquisition of shares issued by GAMESA by the Board of Directors, representing up to 10% of the share capital, which can be used by GAMESA, inter alia, for their delivery to the employees or directors of the Company, either directly or as a result of the exercise of options or other rights envisaged in the incentive plans held by them or of which they are beneficiaries in accordance with the law, the bylaws or the applicable regulations.

In 2010 GAMESA acquired 275,764 treasury shares at an average price of EUR 8.16 and sold 35,000 treasury shares at an average price of EUR 6.01, which gave rise to a loss of EUR 161 thousand, recognised with a charge to "Equity - Of the Parent - Reserves - Other Reserves" in the consolidated balance sheet. GAMESA did not sell or retire any treasury shares in 2009.

The detail of the total number of treasury shares and of the heading "Equity - Of the Parent - Treasury Shares", and of the changes therein as a result of the transactions performed in 2010 and 2009, is as follows:

	Number of shares	Thousand of euros
Balance at 1 January 2009	2,804,498	(30,825)
Additions	174,238	(1,485)
Balance at 31 December 2009	2,978,736	(32,310)
Additions	275,764	(2,249)
Allocation of scrip dividend (Note 17-a)	48,249	-
Disposals	(35,000)	371
Balance at 31 December 2010	3,267,749	(34,188)

2005-2008 share option plan

On 5 May 2005, the Board of Directors of GAMESA resolved to make use of the powers granted by the shareholders at the Annual General Meeting held on 28 May 2004 to implement a share option plan and a share-based bonus plan under the terms and conditions approved by the shareholders.

This plan established a number of share options for a maximum of 54 executives of the Group up to a maximum of 2,212,000 options. Exercise of the options was conditional upon fulfilment of the individual annual targets of the beneficiaries in the period from 2005 to 2007. Each option entitled its beneficiary to acquire title to one fully paid ordinary share for an exercise price of EUR 10.96 per share.

In general, the period for exercising these options commenced on 1 January 2008 and will end on 28 May 2011. During this period, provided that the market price of the shares is equal to or higher than EUR 14.58 per share, each beneficiary may acquire the shares corresponding to him by paying the related exercise price, plus the amount of the related personal income tax withholdings, of the social security contributions payable by the beneficiary and of such expenses as might be incurred in the transaction. The compensation in kind obtained by the beneficiary as a result of the exercise of the options will be determined as the difference between the market price of the shares and the exercise price.

On 10 August 2005, GAMESA arranged a swap and forward transaction to cover the aforementioned share option plan. Under the related agreement, GAMESA undertook to buy on maturity (set for 7 June 2011) a maximum of 2,212,000 shares. The acquisition price was set at EUR 11.019 per share.

As consideration, the bank receives interest on the notional amount of the transaction, which GAMESA recognises as finance costs on an accrual basis. In turn, GAMESA receives the dividends declared on the 2,212,000 shares.

Since the risks inherent to fluctuations (upwards or downwards) in the market price of these treasury shares with respect to the aforementioned price per share and the dividend rights thereon remain for the account of GAMESA, this transaction is classified under "Equity - Of the Parent - Treasury Shares" and "Non-Current Liabilities - Bank Borrowings" in the consolidated balance sheet.

At both 31 December 2010 and 31 December 2009, the treasury shares held by the Company in this connection amounted to EUR 13,272 thousand, since no options were exercised in these years. At 31 December 2010 and 2009, there were 65,000 outstanding options held by certain executives under the plan, exercisable until 28 May 2011.

2009-2011 Incentive Plan

On 17 December 2009, the Board of Directors of GAMESA resolved to use the powers granted to it by the shareholders at the Annual General Meeting of 28 May 2009, and to implement a long-term incentive plan. The plan offers a multiannual incentive consisting of the delivery of Company shares to the beneficiaries and is established to promote and motivate the achievement of the principal strategic objectives established for the period 2009-2011.

The plan is aimed at individuals who, due to their level of responsibility or their position at the GAMESA Group, contribute decisively to the achievement of the Company's objectives. In particular, the beneficiaries are executive directors, senior executives, executives and employees of Gamesa Corporación Tecnológica, S.A. and of the subsidiaries specifically included in the plan, if any.

The number of shares deliverable to each beneficiary will be determined by the level of attainment of the objectives established in the plan for the period of time elapsing between 1 January 2009 and 31 December 2011. The maximum number of shares deliverable is 2,189,699 and no single beneficiary may receive more than 227,475 shares.

The shares will be delivered during the first 90 calendar days of 2012, once the Board of Directors has ratified the level of attainment of the objectives. In order to receive the shares, the beneficiaries must meet basically the following requirements:

- Maintained the employment relationship from the date of entry into force of the plan to the date of delivery of the shares.
- Achieved their personal targets.
- Signed the necessary contractual documents agreeing to keep 50% of the shares received for at least one year from the date the shares are delivered.

In 2009 GAMESA used the futures pricing formula and the Monte Carlo method, which is widely used in financial practice to measure transactions, in order to include the effect of market conditions on the value of the transferred equity instruments. The main assumptions used in the measurement were as follows:

- The risk-free rate is 1.77%
- To determine the volatility of the shares and the dividends distributed per share, the average value was calculated for the last three years
- The dividends accrued during the period of the plan are not paid.

In 2010 GAMESA included new beneficiaries under the plan, which gave rise to a total increase of 179,212 shares in the number of theoretical shares assigned to the plan, within the limit approved by the shareholders at the Annual General Meeting. Also, after reviewing the fulfilment of the requirements established for the plan beneficiaries, the fair value of the cost of the plan was reduced by EUR 2,115 thousand.

As described in Note 3-q, the services provided by the beneficiaries were recognised on an accrued basis by GAMESA under “Staff Costs”, allocating the fair value of the equity instruments delivered over the term of the plan, which led to a charge of EUR 3,315 thousand (2009: EUR 4,111 thousand) thousand to “Staff Costs” in the accompanying consolidated income statement for 2010 (see Note 27-c), with a credits of EUR 3,305 thousand and EUR 10 thousand to “Equity - Of the Parent - Reserves - Other Reserves” and to “Equity - Of Non-Controlling Interests”, respectively.

f) Reserves attributable to the consolidated companies

The detail, by company, of “Reserves Attributable to the Consolidated Companies” at 31 December 2010 and 2009 is as follows:

	Thousands of euros	
Company or group of companies	2010	2009
Reserves of fully and proportionately consolidated companies		
Gamesa Energía, S.A. (Sole-Shareholder Company) and subsidiaries		
“Generation” subgroup	452,767	514,175
“Manufacturing” subgroup	765,605	628,129
	1,218,372	1,142,304
Gamesa Technology Corporation, Inc and subsidiaries	(65,135)	(42,296)
Gamesa Nuevos Desarrollos, S.A. and subsidiaries	(968)	(2,065)
Cametor, S.L.	6,686	6,760
Reserves of companies accounted for using the equity method		
Windar Renovables, S.L. (Note 11)	4,385	2,817
Total	1,163,340	1,107,520

18. Bank borrowings and other financial liabilities

The GAMESA Group manages its capital in order to guarantee the continuity of its operations and maximise the value thereof for its shareholders through the optimisation of debt and equity in the balance sheet.

The structure of the Group’s capital includes financial debt, cash and cash equivalents (see Note 16) and the equity of the Parent, which includes capital and reserves as described in Note 17.

At 31 December 2010, the GAMESA Group was within the parameters set by management for the purpose of managing this risk, as the ratio of debt (net of cash) to equity attributable to the Parent was -12% (31 December 2009: 18%) (see Note 17-a).

The detail, by maturity, of the outstanding bank borrowings at 31 December 2010 and 2009 is as follows:

Thousands of euros

			Borrowings at 31 December 2010						
			Current maturity	Non-current maturity					
	Balance at 31/12/09	Balance at 31/12/10	2011	2012	2013	2014	2015	2016 and subsequent years	Total non-current
Accrued interest payable	1,381	5,454	5,454	-	-	-	-	-	-
Loans	916,183	584,260	53,436	287,933	32,857	32,857	16,429	160,748	530,824
Equity swaps (Note 17-e)	13,272	13,272	13,272	-	-	-	-	-	-
Drawn down loans	26,284	3,857	3,857	-	-	-	-	-	-
Discounted drafts	27,374	34,476	34,476	-	-	-	-	-	-
Euro loans	984,493	641,319	110,495	287,933	32,857	32,857	16,429	160,748	530,824
USD	92,134	117,109	91,208	25,152	150	150	449	-	25,901
INR	7,850	55,776	55,776	-	-	-	-	-	-
Loans and credit facilities denominated in foreign currency (Note 3-f)	99,984	172,885	146,984	25,152	150	150	449	-	25,901
TOTAL	1,084,477	814,204	257,479	313,085	33,007	33,007	16,878	160,748	556,725

All the maturities of the borrowings are per the related contracts.

At 31 December 2010, the GAMESA Group had been granted loans and undrawn credit facilities that accounted for 62.26% (31 December 2009: 40.69%) of the total financing granted to it, which mature between 2011 and 2015 and which bear weighted average interest at Euribor plus a market spread. The loans outstanding at 31 December 2010 and 2009 bore annual weighted average interest at approximately 2.86% and 1.97%, respectively.

Certain of the contracts for the loans arranged by the GAMESA Group companies provide for certain obligations including most notably the achievement of certain financial ratios that tie the capacity to generate operating cash flows to the level of indebtedness and the financial burden. Also, they establish certain limits on the arrangement of additional borrowings or obligations and on the distribution of dividends, as well as other additional conditions. Failure to meet these contractual conditions would enable the banks to demand early repayment of the related amounts. The directors of GAMESA consider that these conditions are being met and will continue to be met in the future in the normal course of business.

At 31 December 2010 and 2009, the GAMESA Group did not have any bank borrowings tied to fixed interest rates, except for the hedges described in Note 19.

The sensitivity of the market value of bank borrowings based on the position to interest rate changes at 31 December 2010 and 2009 is as follows:

Thousands of euros

	Interest rate change			
	2010		2009	
	+0.25%	-0.25%	+0.25%	-0.25%
Change in the value of the borrowings	2,315	(2,315)	2,564	(2,564)

The sensitivity of the market value of foreign currency bank borrowings (USD and INR) based on the position to exchange rate and interest rate changes at 31 December 2010 and 2009 is as follows:

Thousands of euros

	2010				2009			
	Interest rate change (EUR)		Foreign exchange rate changes (EUR/USD)		Interest rate change (EUR)		Foreign exchange rate changes (EUR/USD)	
USD	+0.25%	-0.25%	+5%	-5%	+0.25%	-0.25%	+2.5%	-2.5%
Change in the value of the borrowings	244	(244)	5,557	(6,164)	292	(292)	4,403	(4.867)

Thousands of euros

	Interest rate change (EUR)		Foreign exchange rate changes (EUR/USD)	
INR	+0,25%	-0,25%	+5%	-5%
Change in the value of the borrowings	139	(139)	2,656	(2,936)

The GAMESA Group hedges part of the risk associated with the volatility of cash flows relating to the interest payments on borrowings tied to floating interest rates through derivative financial instruments (see Notes 4 and 19).

19. Derivative financial instruments

The GAMESA Group uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed, mainly foreign currency and interest rate risk. The detail of the balances that represent the revaluation of derivatives in the consolidated balance sheets at 31 December 2010 and 2009 is as follows:

Thousands of euros

	2010			2009	
	Short term		Long term	Short term	
	Assets	Liabilities	Liabilities	Assets	Liabilities
INTEREST RATE HEDGES:					
Cash flow hedges:					
Interest rate swap	-	7,082	5,311	-	9,087
FOREIGN CURRENCY HEDGES:					
Cash flow hedges:					
Currency forwards	-	209	-	214	2,468
Fair value hedges:					
Currency forwards	812	16,520	-	5,196	4,700
NON-HEDGING DERIVATIVES:					
Currency forwards	-	1,057	-	-	-
	812	24,868	5,311	5,410	16,255

In 2010 and 2009, to offset the effect on the consolidated income statement of hedging transactions, the GAMESA Group recognised an expense of EUR 9,512 thousand (2009: EUR 13,835 thousand) under “Finance Costs” in the consolidated income statement for 2010 (see Note 27-g), with a credit to “Equity - Of the Parent - Unrealised Asset and Liability Revaluation Reserve” (see Note 17-c), under which they had previously been classified.

The GAMESA Group uses derivatives as foreign currency hedges to mitigate the possible adverse effect of exchange rate fluctuations on future cash flows from transactions and loans in currencies other than the functional currency of the company concerned. Also, the GAMESA Group designates hedges to cover the foreign currency risk associated with certain intra-Group monetary transactions between companies with different functional currencies the results of which are not fully eliminated upon consolidation in accordance with applicable accounting legislation. These hedging transactions expire in 2011. At 31 December 2010 and 2009, the total nominal value of the items on which foreign exchange hedges had been arranged was as follows:

	Thousands of euros	
Currency	2010	2009
US dollars	221,551	130,475
Chinese yuan	14,014	57,663
Brazilian reais	173,316	-
Polish zloty	2,729	-
Indian rupees	61,000	-

Also, the GAMESA Group arranges interest rate hedges in order to mitigate the effect of interest rate fluctuations on future cash flows from loans tied to floating interest rates. At 31 December 2010 and 2009, the nominal value of the liabilities hedged by interest rate hedges amounted to EUR 570,770 thousand and EUR 889,754 thousand, respectively.

The main features of the cash flow hedges are as follows:

				Thousands of euros
	Estimated period of cash flows			
	2011	2012 and subsequent years	Charge / (Credit) to revaluation reserve (Note 17-c)	Charge / (credit) to income (Note 17-c)
Interest rate	-	570,770	(12,817)	9,512
Foreign currency	16,743	-	2,045	-

No significant ineffectiveness was disclosed in the hedges designated by the GAMESA Group, and the related amounts were recognised in the consolidated income statement.

The fair value of the derivative financial instruments was calculated by discounting future cash flows on the basis of the interest rate curve obtained from independent information sources, such as Bloomberg, or through the valuation furnished by counterparties.

a) Credit risk

The breakdown of the risk, by geographical area and counterparty, indicating the carrying amount thereof at the relevant dates, is as follows:

	2010		2009	
	Thousands of euros	%	Thousands of euros	%
By geographical area:				
Spain	642	79.13%	3,956	73.12%
Other European Union countries	88	10.79%	1,240	22.92%
Rest of the world	82	10.08%	214	3.96%
	812	100.0%	5,410	100.0%
By counterparty:				
Banks	812	100.0%	5,410	100.0%
	812	100.0%	5,410	100.0%

The detail of the derivatives based on the credit ratings assigned by external credit rating agencies is as follows:

	2010		2009	
	Thousands of euros	%	Thousands of euros	%
Risks classified as AA	642	79.1%	3,956	73.1%
Risks classified as A+	170	20.9%	1,454	26.9%
	812	100.0%	5,410	100.0%

b) Market risk

The sensitivity of the market value of the hedging derivatives arranged by the GAMESA Group to interest rate and exchange rate changes is as follows:

Thousands of euros

	Interest rate change			
	2010		2009	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Change in fair value of hedge	2,075	(2,075)	1,019	(1,024)

Thousands of euros

	Exchange rate change			
	2010		2009	
	+5%	-5%	+5%	-5%
Change in fair value of hedge	6,561	(7,267)	13,811	(23,816)

20. Provisions for contingencies and charges

The detail of "Provisions for Contingencies and Charges" on the liability side of the accompanying consolidated balance sheet and of the changes therein in 2010 and 2009 is as follows:

	Provisions for litigation, termination benefits, taxes and similar	Provisions for warranties	Total provisions
Balance at 1 January 2009	21,814	231,299	253,113
Period provisions charged to income (Note 27-e)	162	114,714	114,876
Reversal due to excessive provisions (Note 27-e)	-	(9,065)	(9,065)
Provisions used for their intended purpose	(21,411)	(118,983)	(140,394)
Translation differences	-	(1,803)	(1,803)
Transfer to "Liabilities Associated with Assets Classified as Held For Sale"	602	5,296	5,898
Balance at 31 December 2009	1,167	221,458	222,625
Period provisions charged to income (Note 27-e)	10,597	102,157	112,754
Changes in the scope of consolidation (Note 2-g)	(64)	-	(64)
Transfers to short term	-	(10,922)	(10,922)
Reversal due to excessive provisions (Note 27-e)	-	(12,375)	(12,375)
Provisions used for their intended purpose	(264)	(84,987)	(85,251)
Translation differences	-	4,508	4,508
Balance at 31 December 2010	11,436	219,839	231,275

The GAMESA Group recognises provisions for third-party liability arising from litigation in progress and from termination benefits, obligations, collateral and other similar guarantees for which the Company is legally liable. At each balance sheet date the GAMESA Group estimates the liabilities arising from litigation and similar events which require the recognition of provisions of a tax and legal nature. Although the Group considers that the cash outflows will take place in the coming years, it cannot predict the settlement date of these liabilities and, therefore, it does not make an estimate of the specific dates of the cash outflows, considering the effect of a potential discount to present value to be immaterial.

The provision for warranties relates basically to the possible repair and start-up expenses which should be covered by the Group during the warranty period established in each WTGS sale agreement (generally two years). The increase in this provision arose mainly from the expansion of the product range and the Group's presence in new markets.

Contingent assets

At the date of preparation of these consolidated financial statements, the GAMESA Group was negotiating with a customer in order to determine the amount of repair expenses incurred as a result of a storm that damaged WGTSs sold by GAMESA to the customer that would be recovered. GAMESA bore the cost of the repair work in full. The Group considers it probable that a contingent asset of approximately EUR 4,500 thousand will arise in relation to the recovery of a portion of the costs incurred that should not be borne by GAMESA.

21. Other non-current liabilities

The detail of "Other Non-Current Liabilities" in the accompanying consolidated balance sheets at 31 December 2010 and 2009 is as follows:

	Thousands of euros	
	31/12/10	31/12/09
Refundable advances	38,585	38,028
Long-term advances from customers	1,765	8,343
Other non-current liabilities	5,012	5,493
Total	45,363	51,864

"Refundable Advances" includes basically interest-free advances provided to the Group companies Gamesa Innovation and Technology, S.L. (Sole-Shareholder Company) and Cantarey Reinosa, S.A. (Sole-Shareholder Company) by the Ministry of Science and Technology and other public agencies to finance R&D projects, which are repayable over seven or ten years, following a three-year grace period. The portion of these advances maturing at short term is recognised under "Current Liabilities - Bank Borrowings" in the consolidated balance sheet. These amounts mature as follows:

			Thousands of euros						
			Refundable advances at 31 December 2010 maturing at						
			Short term	Long term					
	Balance at 31/12/09	Balance at 31/12/10	2011	2012	2013	2014	2015	2016 and subsequent years	Total long term
Refundable advances	45,127	46,778	8,193	7,493	7,066	5,561	4,393	14,072	38,585

The financial liability corresponding to these refundable advances is recognised at its present value and the difference up to its repayment value is recognised as an implicit aid to be recognised as income on a systematic basis, over the periods required to offset it with the related costs (see Note 3-g).

22. Non-controlling interests

The detail of "Equity - Of Non-Controlling Interests" on the liability side of the accompanying consolidated balance sheet and of the changes therein in 2010 and 2009 is as follows:

	Thousands of euros
Balance at 1 January 2009	6,513
Loss for the year	(87)
Compass Transworld Logistics, S.L. dividend	(1,748)
Acquisition of 40% of S.E. los Lirios, S.A.	(24)
Other changes	407
Balance at 31 December 2009	5,061
Profit for the year	477
Compass Transworld Logistics, S.L. dividend	(398)
Translation differences	(143)
Other changes	51
Balance at 31 December 2010	5,048

Compass Transworld Logistics, S.L. (51% owned by the GAMESA Group) distributed a dividend in 2010 amounting to EUR 812 thousand (2009: EUR 3,428 thousand).

23. Deferred taxes

The detail of "Deferred Tax Assets" and "Deferred Tax Liabilities" in the accompanying consolidated balance sheet and of the changes therein in 2010 and 2009 is as follows:

	Thousands of euros					
	01/01/10	Allocation and/ or credit (charge) to income (Note 25)	Credit (charge) to asset and liability revaluation reserve	Translation differences	Disposals	31/12/10
Deferred tax assets:						
Revaluation of derivative financial instruments (Note 19)	2,925	-	1,071	69	-	4,065
Tax loss carryforwards	6,740	7,790	-	136	(24)	14,642
Unused tax credits recognised	94,942	10,448	-	-	-	105,390
Other	88,592	3,942	-	5,356	(133)	97,757
	193,199	22,180	1,071	5,561	(157)	221,854
Deferred tax liabilities:						
Deductible goodwill	(27,376)	(4,563)	-	-	-	(31,939)
Other	(58,917)	43,784	-	(2,017)	-	(17,150)
	(86,293)	39,221	-	(2,017)	-	(49,089)

Thousands of euros

	01/01/09	Allocation and/or credit (charge) to income	Credit (charge) to asset and liability revaluation reserve	Exclusions from the scope of consolidation	Translation differences	Transfers to "Assets Classified as Held for Sale" (Note 8)	31/12/09
Deferred tax assets:							
Revaluation of derivative financial instruments (Note 19)	1,466	-	944	-	-	515	2,925
Write-down of start-up costs	71	(71)	-	-	-	-	-
Tax loss and tax credit carryforwards	101,822	665	-	-	(1,137)	332	101,682
Other	53,855	28,834	-	6,984	(1,163)	82	88,592
	157,214	29,428	944	6,984	(2,300)	929	193,199
Deferred tax liabilities:							
Deductible goodwill	(22,814)	(4,562)	-	-	-	-	(27,376)
Other	(34,153)	(4,436)	-	(6,984)	729	(14,073)	(58,917)
	(56,967)	(8,998)	-	(6,984)	729	(14,073)	(86,293)

The GAMESA Group recognises deferred tax assets, tax loss carryforwards and unused tax credits and tax relief only to the extent that their future realisation or utilisation is sufficiently assured.

24. Tax matters

In 2010 the Parent relocated its registered office from Álava to Vizcaya and, therefore, there was a change in the applicable tax legislation to Vizcaya tax legislation (see Note 1).

The detail of “Current Assets – Tax Receivables” and “Other Payables – Tax Payables” on the asset and liability sides, respectively, of the consolidated balance sheets at 31 December 2010 and 2009 is as follows:

	Thousands of euros	
	2010	2009
Tax receivables		
VAT refundable	46,094	31,854
Tax withholdings and prepayments	16,683	13,976
VAT refunds receivable and other	65,225	115,991
Grants receivable	12,022	6,868
	140,024	168,689
Tax payables		
VAT payable	64,214	36,900
Tax withholdings payable	5,806	5,235
Income tax payable	30,146	41,058
Other tax payables	448	449
Accrued social security taxes payable	5,114	5,498
	105,728	89,140

In 2009, when the Parent was subject to Álava tax legislation, GAMESA and its subsidiaries that met the requirements established in the applicable legislation, resolved to be taxed under the special consolidated VAT regime provided for in Articles 163 quinquies et seq. of Álava Regulatory VAT Decree 12/1993, of 19 January which regulates this tax, at its basic level. GAMESA is the Parent of this tax group.

25. Income tax expense (income)

Since 2002 GAMESA and certain of its subsidiaries subject to Basque Country income tax legislation have filed their income tax returns under the special consolidated tax regime. GAMESA is the Parent of this tax group.

Since 2005 Gamesa Technology Corporation, Inc and its subsidiaries have filed consolidated federal income tax returns in the US. Gamesa Technology Corporation, Inc is the Parent of this tax group.

In 2010 the subsidiaries Gamesa Eólica, S.L. (Sole-Shareholder Company), Gamesa Innovation and Technology, S.L. and Estructuras Metálicas Singulares, S.A. resolved to be taxed under the consolidated tax regime. Gamesa Eólica, S.L. (Sole-Shareholder Company) is the Parent of this tax group.

The other consolidated companies file individual tax returns.

In 2010 the GAMESA Group performed various corporate restructuring transactions under the special tax neutrality regime provided for in tax legislation, and the mandatory disclosures are included in the separate financial statements of the companies involved.

The difference between the tax charge allocated to each year and the tax payable for that year, recognised in “Deferred Tax Assets” and “Deferred Tax Liabilities” on the asset and liability sides, respectively, of the consolidated balance sheets at 31 December 2010 and 2009, arose as a result of the following noteworthy circumstances:

- Temporary differences arising from the differences between the carrying amounts of certain assets and liabilities and their tax bases. The most significant of these temporary differences relate to the assets and liabilities arising from the measurement of derivatives, deductible goodwill and the different procedure for depreciating and amortising property, plant and equipment and intangible assets, respectively, under IFRSs, as described in Note 3.

- Temporary differences arising from the accelerated depreciation and amortisation tax benefit taken on certain assets assigned to research and development activities.
- The different accounting and tax methods for recognising certain provisions.
- The different accounting and tax methods for recognising income and expenses by reference to the stage of completion at the companies taxed in the US.

The breakdown of income tax between current tax and deferred taxes is as follows:

	Thousands of euros	
	2010	2009
Current tax	46,094	27,589
Deferred taxes (Note 23)	(61,401)	(20,430)
Income tax expense (income)	(15,307)	7,159

The income tax expense (income) for 2010 and 2009 was determined as follows:

	Thousands of euros	
	2010	2009
Consolidated profit before tax	35,362	121,738
Permanent differences:		
- Exemption of gains from the sale of wind farms	(47,371)	(35,800)
- Impairment of Windar Renovables, S.L. (Note 11)	15,000	-
- Result of companies accounted for using the equity method (Note 11)	(2,052)	(1,568)
- Dividends	-	73,350
- Other permanent differences	(11,210)	9,971
Adjusted accounting profit	(10,271)	167,691
Gross tax calculated using the tax rate in force in each country (*)	(2,452)	38,862
Tax credits	(16,520)	(39,732)
2009 income tax settlement adjustment	3,038	1,972
Adjustment of tax balances	627	-
Tax effect of retained earnings (Note 2-f)	-	6,057
Accrued income tax expense (income)	(15,307)	7,159

(*) The fully consolidated foreign subsidiaries calculate the income tax expense and the tax charges for the various taxes applicable to them in conformity with the legislation of, and at the tax rates in force in, their respective countries.

As permitted under the applicable provincial income tax legislation, the gain obtained on the sale of wind farms by the subsidiary Gamesa Energía, S.A. (Sole-Shareholder Company), which is subject to the special tax regime for venture promotion companies, is not taxed.

The tax credits recognised in the year were earned by the Group as a result of the expenditure incurred and investments made in research and development and technological innovation, investments in non-current assets and job creation.

Under current legislation, tax losses can be carried forward for tax purposes for offset against the taxable profits that will foreseeably arise in the future periods provided for in each applicable legislation. In this connection, the various GAMESA Group companies have EUR 14,642 thousand of tax loss carryforwards available for offset in future years (31 December 2009: EUR 6,740 thousand). They also have unused tax credits amounting to EUR 105,390 thousand (31 December 2009: EUR 94,942 thousand) (see Note 23).

"Income Tax on Profit from Continuing Operations" in the accompanying consolidated income statement for 2010 includes a charge of EUR 3,038 thousand relating to the difference between the income tax for 2009 estimated by the various Group companies and the tax returns actually filed mainly in relation to the adjustment of deferred tax assets and unused tax credits.

At 31 December 2010, the GAMESA Group companies had unrecognised deferred tax assets. Also, the Group has unrecognised tax loss carryforwards amounting to approximately EUR 3,590 thousand (31 December 2009: EUR 2,240 thousand) and tax credits earned before the Group began filing tax returns under the special consolidated tax regime amounting to approximately EUR 6,765 thousand (31 December 2009: EUR 6,765 thousand). These deferred tax assets were not recognised because the GAMESA Group considers that the conditions for considering them to be recoverable in future years were not met.

Under current legislation, taxes cannot be deemed to have been definitely settled until the tax returns filed have been reviewed by the tax authorities or until the statute-of-limitation period has expired. At 2010 year-end, in Spain the Group had all years since 2007 open for review for income tax and all years since 2008 for the other taxes applicable to it. The Company's directors consider that the aforementioned taxes have been appropriately settled and, consequently, even if there are discrepancies with respect to the interpretation of current legislation for the tax treatment given to the transactions, any potential resulting liabilities would not have a material effect on the accompanying consolidated financial statements.

26. Obligations and guarantees to third parties

At 31 December 2010, the GAMESA Group had received guarantees from banks and insurance companies that were provided to third parties amounting to EUR 1,478,653 thousand (2009: EUR 1,643,616 thousand). The detail, by type, of the guarantees received by the GAMESA Group is as follows:

	Thousands of euros	
	2010	2009
Financing guarantees	94,878	61,358
Business contract guarantees	1,252,803	1,490,575
Guarantees provided to the government	130,972	91,683
Total	1,478,653	1,643,616

On 19 December 2008, Gamesa Eólica, S.L. (Sole-Shareholder Company) (an indirectly wholly-owned investee of Gamesa Corporación Tecnológica, S.A. – Parent of the GAMESA Group) entered into a financing agreement with the European Investment Bank for a maximum of EUR 200 million, divided into two parts (EUR 140 million and EUR 60 million, respectively). Gamesa Corporación Tecnológica, S.A., together with other GAMESA Group companies directly or indirectly wholly owned by it, are joint and several guarantors on first demand to the European Investment Bank with respect to the repayment of the principal, interest, commissions, expenses or any other items, in the event that Gamesa Eólica, S.L. (Sole-Shareholder Company) is unable to make the related repayments.

The GAMESA Group considers that the liabilities, if any, which might arise from the obligations and guarantees shown in the table above additional to those for which provisions had been recognised at 31 December 2010 would not be material.

27. Income and expenses

a) Revenue and other operating income

The detail of these line items in the 2010 and 2009 consolidated income statements is as follows:

	Thousands of euros	
	2010	2009
Sales of goods	2,209,048	2,805,075
Rendering of services	526,597	382,010
Revenue	2,735,645	3,187,085
Grants related to income (Note 3-g)	163	237
Group work on non-current assets (Notes 3-j and 3-k)	67,688	70,575
Other income	28,066	42,065
Other operating income	95,917	112,877

b) Procurements

The detail of "Procurements" in the consolidated income statements for 2010 and 2009 is as follows:

	Thousands of euros	
	2010	2009
Purchases of raw materials and other supplies	2,078,407	1,770,057
Changes in inventories of goods held for resale and raw materials (Note 13)	(75,630)	302,030
	2,002,777	2,072,087

c) Staff costs

The breakdown of "Staff Costs" in the 2010 and 2009 consolidated income statements is as follows:

	Thousands of euros	
	2010	2009
Wages and salaries	227,508	223,313
Treasury share incentive plan (Note 17-e)	3,315	4,111
Termination benefits (Note 3-p)	1,496	1,863
Employer social security costs	48,437	50,058
Other employee benefit costs	14,360	13,009
	295,116	292,354

The average number of employees and directors in 2010 and 2009, by professional category, was as follows:

Categories	2010	2009
Directors	10	10
Senior executives	93	91
Management personnel	3,059	2,791
Other employees	3,571	3,829
Total	6,733	6,721

Also, the headcount at the end of 2010 and 2009, by category and gender, was as follows:

	2010			2009
Number of employees and directors at year-end	Men	Women	Total	Total
Directors	9	1	10	10
Senior executives	83	10	93	91
Management personnel	2,344	815	3,159	2,791
Other employees	2,718	938	3,656	3,829
Total	5,154	1,764	6,918	6,721

The average number of employees at the Group in 2010 with a disability equal to or greater than 33%, by category, was as follows:

Categories	2010
Directors	-
Senior executives	-
Management personnel	5
Other employees	13
Total	18

d) Other operating expenses

The breakdown of "Other Operating Expenses" in the 2010 and 2009 consolidated income statements is as follows:

	Thousands of euros	
	2010	2009
Rent and royalties	45,833	44,795
Repair, upkeep and maintenance expenses	17,184	16,180
Independent professional services	81,966	49,439
Transport expenses	38,057	9,943
Insurance	32,455	24,960
Banking and similar services	9,323	10,732
Advertising, publicity and public relations	3,939	3,294
Utilities	21,230	18,877
Travel expenses	28,610	24,604
Telecommunications	5,840	5,354
Security	2,405	2,204
Cleaning	2,619	2,477
Outsourcing	36,797	41,803
Taxes other than income tax	6,252	6,652
Other current operating expenses	26,602	25,976
	359,112	287,290

The aggregate amount of research and development expenditure recognised as an expense in 2010 was EUR 1,148 thousand (2009: EUR 1,500 thousand).

In 2007 and 2006 the GAMESA Group sold certain properties owned by it for their market price, recognising gains of EUR 1,313 thousand and EUR 9,753 thousand, respectively, in the consolidated income statement. Leases were subsequently arranged on the same properties which were considered to be operating leases, since they meet the requirements to be considered as such (see Note 3-e). The term of these leases is between ten and twelve years. The monthly charge in 2010 to the accompanying consolidated income statement for the leases on these properties amounted to approximately EUR 174 thousand (2009: EUR 170 thousand).

At 31 December 2010, the future minimum lease payments under non-cancellable operating leases arranged by the GAMESA Group totalled approximately EUR 29,529 thousand (31 December 2009: EUR 36,291 thousand). Of these payments, approximately EUR 7,638 thousand will be paid in 2011, EUR 10,779 thousand between 2012 and 2013, and the remainder between 2014 and 2018.

At 31 December 2010, the Company had recognised EUR 5,546 thousand under "Long-Term Deposits and Guarantees" (see Note 12-b) in respect of existing leases (2009: EUR 3,696 thousand).

e) Depreciation and amortisation charge and provisions and allowances

The breakdown of "Depreciation and Amortisation Charge and Provisions and Allowances" in the 2010 and 2009 consolidated income statements is as follows:

	Thousands of euros	
	2010	2009
Property, plant and equipment depreciation charge (Note 10)	69,865	67,378
Intangible asset amortisation charge (Note 9)	32,669	32,115
Change in operating provisions for warranties and other (Note 20)	100,379	105,811
Change in write-downs of inventories (Note 13)	2,898	7,682
Change in other operating allowances and provisions	2,863	4,451
	208,674	217,437

f) Finance income

The breakdown of "Finance Income" in the 2010 and 2009 consolidated income statements is as follows:

	Thousands of euros	
	2010	2009
Gains on current financial assets	386	398
Other finance and similar income	17,317	11,634
	17,703	12,032

g) Finance costs

The breakdown of "Finance Costs" in the 2010 and 2009 consolidated income statements is as follows:

	Thousands of euros	
	2010	2009
Finance and similar costs (Note 18)	57,806	44,807
Allocation of cash flow hedges to profit or loss (Note 19)	9,512	13,835
	67,318	58,642

28. Remuneration of directors

In 2010 the directors of GAMESA earned attendance fees, wages and salaries and other income amounting to approximately EUR 3,037 thousand (2009: EUR 5,153 thousand). The detail of the aforementioned amount is as follows:

	Thousands of euros	
	31/12/10	31/12/09
Directors		
Type of remuneration		
Fixed remuneration	1,931	1,839
Variable remuneration	609	371
Attendance fees	331	328
Bylaw-stipulated directors' emoluments	135	181
Transactions involving shares and/or other financial instruments	-	-
Long-term incentives under 2006-2008 business plan and non-competition compensation to outgoing Chairman	-	2,406
Other benefits	3,006	5,125
Advances	-	-
Loans granted	-	-
Pension funds and plans: Contributions	-	-
Pension funds and plans: Obligations assumed	-	-
Life insurance premiums	31	28
Guarantees given for directors	-	-
	3,037	5,153

No advances or loans were granted to current or former Board members and there are no pension obligations to them.

The detail of the total remuneration, by type of director, is as follows:

	Thousands of euros	
	31/12/10	31/12/09
Type of director		
Executive	1,759	3,903
Non-executive proprietary directors	274	414
Non-executive independent directors	639	733
Other non-executive directors	365	103
	3,037	5,153

At 2010 year-end the members of the Board of Directors of Gamesa Corporación Tecnológica, S.A. and certain persons related to them as defined in the Spanish Limited Liability Companies Law held ownership interests in the following companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the Company's object. Also, following is a detail of the positions held and functions discharged at those companies:

Owner	Investee	Line of business	No. of shares	Functions
Arregui Ciarsolo, Juan Luis	Iberdrola, S.A.	Electricity industry	30,284,584	None
IBERDROLA, S.A.	Iberdrola Renovables, S.A.	Electricity industry	3,379,251,920	None
	Iberdrola Generación, S.A.	Electricity industry	444,469,000	Sole director
	Iberdrola Energía, S.A.	Electricity industry	49,097,370	Sole director
	Iberdrola Ingeniería y Construcción, S.A.U.	Electricity industry	110,000	Sole director
	Scottish Power Limited	Electricity industry	106,197,793	None
Velasco Gómez, Pedro	Iberdrola, S.A.	Electricity industry	32,324	Director of non-energy businesses and asset management
Fernández-Lerga, Carlos	Iberdrola Renovables, S.A.	Electricity industry	398	None

29. Remuneration of senior executives

The remuneration (salary, compensation in kind, social security contributions, etc.) relating to the Parent's general managers and persons who perform similar functions - excluding those who are simultaneously members of the Board of Directors (whose remuneration is detailed above) – amounted to EUR 8,109 thousand in 2010 (2009: EUR 5,088 thousand).

In this regard, the directors of GAMESA modified the definition of senior executive as a result of the adaptation to the new organisational and functional structure, increasing the number of persons in this category. There were 17 senior executives in 2010 (2009: 14).

In 2010 there were no transactions with executives other than those carried out in the ordinary course of business.

30. Related party balances and transactions

All the significant balances at year-end between the consolidated companies and the effect of the transactions between them in 2010 were eliminated on consolidation. The detail of the transactions with related companies and associates that are related parties which were not eliminated on consolidation in 2010 and 2009 is as follows:

	Thousands of euros			
	2010			
	Balances receivable	Balances payable	Sales and services rendered	Services received
Iberdrola, S.A. and subsidiaries (Notes 16 and 17)	173,320	67,105	993,958	7,548
Windar Renovables, S.L. and subsidiaries (Note 11)	230	46,156	65,188	116,245
Total	173,550	113,261	1,059,146	123,792

	Thousands of euros			
	2009			
	Balances receivable	Balances payable	Sales and services rendered	Services received
Iberdrola, S.A. and subsidiaries (Notes 16 and 17)	356,725	86,356	785,981	8,893
Windar Renovables, S.L. and subsidiaries (Note 11)	698	45,304	120,944	162,446
Total	357,423	131,660	906,925	171,339

Strategic agreement with Iberdrola Renovables, S.A.

In 2009 GAMESA and Iberdrola Renovables, S.A. (a subsidiary of Iberdrola, S.A. – see Note 17) agreed on the definitive structure for the implementation of the strategic agreement between the two parties entered into in 2008 for the pooling of the wind farm promotion, development and operation businesses of GAMESA and Iberdrola Renovables, S.A. in Spain and in certain European countries.

In general terms, until 30 June 2011, GAMESA and Iberdrola Renovables, S.A. will continue to manage their respective wind power projects autonomously. From 1 July 2011, both parties are entitled to exercise a put or call option on the businesses of the GAMESA Group.

The strategic agreement may be implemented through one of the following two alternatives, at the discretion of Iberdrola Renovables, S.A.:

- Acquisition by Iberdrola Renovables, S.A. of the GAMESA Group businesses through a cash payment determined by investment banks appointed by the parties.
- Pooling the businesses of the GAMESA Group and of Iberdrola Renovables through an SPV in which Iberdrola Renovables holds a 75% interest and the GAMESA Group a 25% interest. The contributions of the parties shall be measured by investment banks appointed for such purpose.

GAMESA and Iberdrola Renovables, S.A. grant each other cross options on the businesses of GAMESA. If neither of the parties has exercised their respective options once the exercise period has expired, the strategic agreement shall be automatically terminated. The pooling of the businesses would also involve the grant of cross put and call options between the parties on GAMESA's ownership interest in the share capital of the SPV. These options are exercisable from the third year after which the businesses have been pooled.

The sale and transfer of the GAMESA businesses or, where appropriate, the pooling of the businesses, shall require compliance with certain conditions, such as the obtainment of authorisation in matters of Competition Law which, as the case may be, may be required, and the obtainment of the necessary authorisation and consent from third parties.

Agreements relating to the Generation business

On 26 October 2005, the GAMESA Group executed a new framework agreement with Iberdrola Renovables, S.A. consisting of a commitment to acquire ownership interests in companies owning wind farms in Andalusia and Italy up to a total attributable capacity of 600 MW and 100 MW, respectively.

On 21 December 2007, GAMESA and Iberdrola Renovables, S.A. agreed to update this agreement, whereby Iberdrola Renovables, S.A. acquired the ownership interests in companies owning wind farms primarily located in Andalusia, with a total attributable capacity of 578 MW (which may be increased by the buyer to 594 MW) in accordance with the expected average gains established and guaranteed in the initial agreement, and the deadlines for the start-up of the wind farms. At 31 December 2008 the deadline for start-up was set for December 2009; however in 2009 this deadline was extended to December 2010, allowing for further extensions. The projects were updated in accordance with the expected average time periods and gains considered in the initial agreement. As a result, the GAMESA Group changed the estimated prices on the basis of the update made.

Agreements relating to the Manufacturing business

As part of GAMESA's business plan to focus on strategic markets in order to position itself as the preferred supplier of its major customers, on 13 June 2008, Gamesa Eólica, S.L. (Sole-Shareholder Company) and Iberdrola Renovables, S.A. entered into an agreement to supply 4,500 MW to wind farms in Europe, Mexico and the US between 2010 and 2012, both inclusive. This agreement includes the assembly and start-up of WTGSs, in addition to the related operation and maintenance services during the warranty period. On 17 December 2009, GAMESA and Iberdrola Renovables, S.A. approved a number of amendments to the original agreement and updated several of its clauses, including those concerning price-setting, penalties and delivery schedules, and also developed it to include the cases in which the agreement could be terminated due to a change of control of the Group.

Agreements between the GAMESA Group and Windar Renovables, S.L.

On 25 June 2007, GAMESA (through its subsidiary Gamesa Eólica, S.L. (Sole-Shareholder Company)) entered into an agreement with Windar Renovables, S.L. for the supply of tower sections. At the date of preparation of these consolidated financial statements, GAMESA and Windar Renovables, S.L. were negotiating the new terms of the supply agreement.

31. Other disclosures

a) Financial position

As indicated in Note 18, at 31 December 2010, the GAMESA Group had been granted loans and undrawn credit facilities that accounted for 62.26% of the total financing granted to it (31 December 2009: 40.69%). The GAMESA Group did not arrange any additional loans between the aforementioned date and the date of preparation of these consolidated financial statements, as it considers that the cash requirements for 2011 are fully covered.

b) Disclosures on the payment periods to suppliers

In relation to the disclosures required by Additional Provision Three of Law 15/2010, of 5 July for these first consolidated financial statements prepared since the entry into force of the Law, at 31 December 2010, EUR 22,674 thousand of the balance payable to suppliers were past due by more than the maximum payment period.

This balance relates to the suppliers of the Spanish consolidated companies that because of their nature are trade creditors for the supply of goods and services and, therefore, it includes the figures relating to "Trade and Other Payables", "Trade Payables to Related Companies" and "Other Payables – Other Current Liabilities" under "Current Liabilities" in the consolidated balance sheet.

The maximum payment period applicable to the Spanish companies under Law 3/2004, of 29 December, on combating late payment in commercial transactions and pursuant to the transitional provisions contained in Law 15/2010, of 5 July, is 85 days in the period between the entry into force of the Law and 31 December 2011.

32. Fees paid to auditors

In 2010 and 2009 the fees for financial audit and other services provided by the auditor of the Group's consolidated financial statements, Deloitte, S.L., or by firms in the Deloitte organisation, and the fees billed by the auditors of the separate financial statements of the consolidated companies, and by companies related to these auditors as a result of a relationship of control, common ownership or common management, were as follows:

Thousands of euros

2010	Services provided by the main auditor	Services provided by other audit firms
Audit services	1,434	155
Other attest services	17	542
Total audit and related services	1,451	697
Tax counselling services	82	6
Other services	184	1,562
Total professional services	1,717	2,265

Thousands of euros

2009	Services provided by the main auditor	Services provided by other audit firms
Audit services	1,398	141
Other attest services	7	385
Total audit and related services	1,405	526
Tax counselling services	-	8
Other services	414	1,021
Total professional services	1,819	1,555

33. Earnings per share

At 31 December 2010, the weighted average number of ordinary shares used in the calculation of earnings per share was 244,392,310 shares (31 December 2009: 240,439,554 shares) (see Note 17-a), because in 2010 GAMESA held an average of 3,184,258 treasury shares (2009: 2,860,350 shares) (see Note 17-e).

The basic earnings per share from continuing operations attributable to the Parent in 2010 and 2009 were as follows:

	2010	2009
Net profit from continuing operations attributable to the Parent (thousands of euros)	50,192	114,666
Average number of shares outstanding	244,392,310	240,439,554
Basic earnings per share from continuing operations (euros)	0.2081	0.4769

At 31 December 2010 and 2009, Gamesa Corporación Tecnológica, S.A., the Parent of the GAMESA Group, had not issued financial

instruments or other contracts that entitle the holder thereof to receive ordinary shares of the Company. Consequently, diluted earnings per share coincide with basic earnings per share.

34. Standards and interpretations issued but not yet in force

At the date of preparation of these consolidated financial statements, the following are the most significantstandards and interpretations that had been published by the IASB but had not yet come into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union:

Standards, amendments and interpretations:		Obligatory application in the years beginning on or after
Approved for use by the EU		
Amendments to IAS 32	Financial Instruments: Presentation and Classification of Rights Issues	1 February 2010
Revision of IAS 24	Related Party Disclosures	1 January 2011
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity instruments	1 July 2010
Not yet approved for use in the European Union		
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2013
2010 Improvements to IFRSs	Non-urgent amendments to IFRSs	Various (mainly 1 January 2011)
Amendments to IFRS 7	Financial Instruments: Disclosures- Transfers of Financial Assets	1 July 2011

The directors have assessed the potential impact of applying these standards in the future and estimate that their entry into force will not have a material impact on the consolidated financial statements.

Amendments to IAS 32, Classification of Rights Issues

This amendment relates to the classification of foreign currency denominated rights issues (rights, options or warrants). Pursuant to this amendment, when these rights are offered to all owners and are to acquire a fixed number of shares in exchange for a fixed amount, they are equity instruments, irrespective of the currency in which that fixed amount is denominated and provided that other specific requirements of the standard are fulfilled.

Since the Group has not issued any instruments of this nature, this amendment will not have any impact.

Revision of IAS 24, Related Party Disclosures

The revised IAS 24 provides a partial exemption from certain disclosure requirements when the transactions are between government-related entities (or entities related to an equivalent government institution) and revises the scope applicable to the disclosure requirements through the inclusion in the definition of “related party” of certain relationships between joint ventures and associates of the same entity which were not explicit in the previous version of the standard.

The impact of this amendment has been analysed and it will not result in any change in the related parties currently defined by the Group.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

This interpretation addresses the accounting by a debtor when all or part of a financial liability is extinguished through the issue of equity instruments to the creditor. The interpretation does not apply to transactions in situations where the counterparties in question are shareholders or related parties, acting in their capacity as such, or where extinguishing the financial liability by issuing equity shares is in accordance with the original terms of the financial liability. In all other cases, the equity instruments issued are measured at fair value at the date the liability is extinguished and any difference between this value and the carrying amount of the liability is recognised in profit or loss.

This interpretation will not give rise to a change in the Group's accounting policies since in similar transactions in the past it applied accounting policies in line with the new interpretation.

IFRS 9, Financial Instruments

IFRS 9 will in the future replace the current part of IAS 39 relating to classification and measurement. There are very significant differences with respect to the current standard, in relation to financial assets, including the approval of a new classification model based on only two categories, namely instruments measured at amortised cost and those measured at fair value, the disappearance of the current "held-to-maturity investments" and "available-for-sale financial assets" categories, impairment analyses only for assets measured at amortised cost and the non-separation of embedded derivatives in financial asset contracts.

In relation to financial liabilities, the classification categories proposed by IFRS 9 are similar to those currently contained in IAS 39. At the reporting date, the future impact of the adoption of this standard had not yet been analysed.

Amendment of IFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets

This amendment extends and reinforces the disclosures on transfers of financial assets, including both those not derecognised and, mainly, those derecognised but in which the entity has continuing involvement. The latter case is that in which the largest number of new disclosures is required, including, as an example and among others, information on the entity's maximum exposure to loss from its continuing involvement in the derecognised assets, a maturity analysis of the undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee in respect of the transferred assets, showing the remaining contractual maturities of the entity's continuing involvement and greater qualitative information on the transaction that gave rise to the derecognition of the financial assets (description, nature of the continuing involvement, the risks to which the entity may be exposed, etc.).

Early application of IFRS 7 is encouraged, but it should be taken into account that this is not yet possible as it has not been approved for use in Europe.

35. Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2-a). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Gamesa Blades manufacturing centre

Appendix NPGC

COMPANIES COMPOSING THE GAMESA GROUP AT 31 DECEMBER 2010
(Thousand of Euros)

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
FULLY CONSOLIDATED COMPANIES							
A) GAMESA ENERGÍA GROUP							
Gamesa Energía, S.A.	Development of wind farms	Deloitte	Vizcaya	100%	35,491	400,815	59,252
A.1 Wind farms							
• Development of wind farms							
Gamesa Inversiones Energéticas Renovables, S.C.R. de Régimen Simplificado, S.A.	Development of wind farms	Deloitte	Vizcaya	100%	1,200	216	14,248
Gamesa Energía Italia, S.P.A.	Development of wind farms	Deloitte	Italy	100%	4,070	(123)	(1,645)
Gamesa Energiaki Hellas, A.E.	Development of wind farms	Deloitte	Greece	100%	234	71	(769)
Gamesa Energía Portugal, S.A.	Development of wind farms	Deloitte	Portugal	100%	475	1,241	(1,167)
Gamesa Energie France, E.U.R.L.	Development of wind farms	Deloitte	France	100%	60	(1,243)	(1,801)
Parques Eólicos del Caribe, S.A.	Development of wind farms	-	Dominican Republic	57%	918	(421)	(66)
Navitas Energy, Inc.	Development of wind farms	Deloitte	US	97.00%	252	(4,751)	(1,377)
Gamesa Energy Romania, Srl	Development of wind farms	-	Romania	100%	-	(537)	(898)
Whitehall Wind	Operation of wind farms	Deloitte	US	100% Navitas	-	-	-
Main Wind 1	Development of wind farms	Deloitte	US	100% Navitas	-	-	-
Gamesa Energía Polska Sp. Zoo	Development of wind farms	Deloitte	Poland	100%	112	(164)	(523)
Gamesa Energy UK, Ltd.	Development of wind farms	Deloitte	UK	100%	-	(1,944)	(637)
Gamesa Energie Deutschland, GmbH	Development of wind farms	Deloitte	Germany	100%	575	(199)	(1,580)

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
GERR, Grupo Energético XXI, S.A. (Sole-Shareholder Company)	Development of wind farms	-	Barcelona	100%	1,605	(4,151)	1,769
International Wind Farm Developments II, S.L.	Development of wind farms	-	Vizcaya	100%	3	(1)	(73)
International Wind Farm Developments III, S.L.	Development of wind farms	-	Vizcaya	100%	3	(1)	(33)
International Wind Farm Developments IX, S.L.	Development of wind farms	-	Vizcaya	100%	3	(1)	(1)
• Operation of wind farms							
Baileyville Wind Farm, LLC	Operation of wind farms	-	US	100%	-	-	-
Windfarm Riedener Berg GmbH	Operation of wind farms	-	Germany	100%	25	(2)	-
Windfarm 33 Gmbh	Operation of wind farms	-	Germany	100%	25	(2)	-
Windfarm Thransheide GmbH	Operation of wind farms	-	Germany	100%	25	(1)	-
Windfarm 35 Gmbh	Operation of wind farms	-	Germany	100%	25	(1)	(2)
Windfarm Sarow GmbH	Operation of wind farms	-	Germany	100%	25	(1)	-
Windfarm 38 Gmbh	Operation of wind farms	-	Germany	100%	25	(1)	-
Windfarm 39 Gmbh	Operation of wind farms	-	Germany	100%	25	(1)	-
Windfarm 40 Gmbh	Operation of wind farms	-	Germany	100%	25	(1)	-
Windfarm 41 Gmbh	Operation of wind farms	-	Germany	100%	25	(1)	-
S.E. Balazote, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Toledo	100%	61	(5)	(2)
S.E. Cabezo Negro, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Zaragoza	100%	61	(250)	(667)
SAS SEPE du Mont de Chatillon	Operation of wind farms	-	France	100%	4	27	(2)
SAS SEPE de la Pomarede	Operation of wind farms	-	France	100%	4	22	(2)
SAS SEPE du Plateu	Operation of wind farms	-	France	100%	4	20	(2)
SAS SEPE D´ Atlancia	Operation of wind farms	-	France	100%	4	27	(2)
SAS SEPE de Meuse et Mouzon	Operation of wind farms	-	France	100%	4	27	(2)
PETAF - Energia Eolica Sociedade Unipessoal Lda	Operation of wind farms	-	Portugal	100%	5	(1)	(1)
Sistemas Energéticos La Plana, S.A.	Operation of wind farms	-	Zaragoza	90%	421	1,769	129
Sistemas Energéticos Ferrol Nerón, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	A Coruña	100%	61	(20)	(6)

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
Sistemas Energéticos La Jimena, S.A.	Operation of wind farms	-	Soria	60%	61	(233)	(47)
Sistemas Energéticos Barandón, S.A.	Operation of wind farms	-	Valladolid	100%	61	(4)	-
Eoliki Eliniki, A.E.	Operation of wind farms	Deloitte	Greece	86%	68	(71)	(11)
Eoliki Peloponisou Lakka Energiaki A.E.	Operation of wind farms	Deloitte	Greece	86%	59	(42)	(7)
Eoliki Attikis Kounus Energiaki A.E.	Operation of wind farms	Deloitte	Greece	86%	59	(42)	(7)
Parco Eolico Orune, Srl	Operation of wind farms	-	Italy	100%	30	(15)	(3)
Parco Eolico di Pedru Ghisu, Srl	Operation of wind farms	-	Italy	90%	30	(17)	(1)
Parco Eolico Nevena, Srl	Operation of wind farms	-	Italy	100%	30	(16)	(3)
Parco Eólico Punta Ferru, S.R.L.	Operation of wind farms	-	Italy	90%	30	(7)	(1)
Parco Eólico Marsica Vento, S.R.L.	Operation of wind farms	-	Italy	90%	30	(8)	(1)
Sistemas Energéticos Ventorrillo, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(5)	1
Sistemas Energéticos Almodóvar del Río, S.L.	Solar PV electricity production	-	Vizcaya	100%	3	(1,144)	73
Sistemas Energéticos Carellana, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Toledo	100%	61	(4)	(1)
Sistemas Energéticos Ritobas, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Valladolid	100%	61	(3)	-
Sistemas Energéticos de Tarifa, S.L. (Sole-Shareholder Company).	Development of wind farms	-	Vizcaya	100%	61	(14)	(92)
Sistemas Energéticos Argañoso, S.L. (Sole-Shareholder Company).	Development of wind farms	-	Vizcaya	100%	61	(18)	-
Sistemas Energéticos Odra, S.A. (Sole-Shareholder Company).	Operation of wind farms	-	Toledo	100%	61	(3)	(1)
Sistemas Energéticos Ortegal, S.A.	Operation of wind farms	-	A Coruña	80%	61	(7)	(10)
Sistemas Energéticos del Sur, S.A.	Operation of wind farms	-	Seville	70%	1,486	(208)	(33)
Sistemas Energéticos Castillejo, S.A. (Sole-Shareholder Company).	Operation of wind farms	-	Toledo	100%	61	(3)	(1)
Sistemas Energéticos los Nietos, S.A. (Sole-Shareholder Company).	Operation of wind farms	-	Seville	100%	61	(4)	(1)
Sistemas Energéticos Sierra de Lourenza, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	A Coruña	100%	61	(50)	(7)

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
Sistemas Energéticos Loma del Reposo, S.L. (Sole-Shareholder Company)	Development of wind farms	-	Vizcaya	100%	61	(11)	-
Sistemas Energéticos La Jauca, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	(1)
Sistemas Energéticos Edreira, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	A Coruña	100%	61	8	(6)
Sistemas Energéticos Del Toro, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	(1)
Sistemas Energéticos Cañarete, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	(1)
Sistemas Energéticos El Pertiguero, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	(1)
Sistemas Energéticos Campoliva, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Zaragoza	100%	61	(3)	-
Sistemas Energéticos Herrera, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Zaragoza	100%	61	(2)	(2)
Sistemas Energéticos Carril, S.L. (Sole-Shareholder Company)	Development of wind farms	-	Vizcaya	100%	61	(4)	-
Gesacisa Desarrolladora SA de CV	Operation of wind farms	-	Mexico	85%	-	-	-
Sistemas Energéticos Del Zenete, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	(1)
Sistemas Energéticos Alcohujate, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Toledo	100%	61	(6)	(6)
Energiaki Megas Lakkos, S.A.	Operation of wind farms	Deloitte	Greece	100%	60	(40)	(7)
SAS SEPE de Menetreol Sous Vatan	Operation of wind farms	-	France	100%	37	(22)	(10)
SAS SEPE des Potences	Operation of wind farms	-	France	100%	4	(18)	3
SAS SEPE Serre du Bichou	Operation of wind farms	-	France	100%	4	(17)	3
SAS SEPE Saint Georges de Noisné	Operation of wind farms	-	France	100%	37	(50)	3
SAS SEPE Lingevres	Operation of wind farms	-	France	100%	4	26	(2)
SAS SEPE Corlay Saint Mayeux	Operation of wind farms	-	France	100%	4	20	(11)
SAS SEPE St. Loup de Saintonge	Operation of wind farms	-	France	100%	4	23	(3)
SAS SEPE Villiers Vouille et Yversay	Operation of wind farms	-	France	100%	4	(19)	(2)
SAS SEPE de la Nelausa	Operation of wind farms	-	France	100%	37	(14)	(12)

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
SAS SEPE Souvigne	Operation of wind farms	-	France	100%	37	(15)	(5)
SAS SEPE Dampierre Prudemanche	Operation of wind farms	-	France	100%	37	(18)	(143)
SAS SEPE de L'Epinette	Operation of wind farms	-	France	100%	4	20	(3)
SAS SEPE Germainville	Operation of wind farms	-	France	100%	37	(15)	(3)
SAS SEPE Ecueille	Operation of wind farms	-	France	100%	4	16	(51)
SAS SEPE Janaillat at Saint Dizier Leyrenne	Operation of wind farms	-	France	100%	37	(53)	(4)
SAS SEPE Du p.e. Moreac	Operation of wind farms	-	France	100%	37	(38)	(34)
SAS SEPE Poullan	Operation of wind farms	-	France	100%	4	22	(3)
SAS SEPE Kaymard	Operation of wind farms	-	France	100%	4	23	(2)
SAS SEPE des 4 Vallés	Operation of wind farms	-	France	100%	37	(6)	(10)
SAS SEPE Monplaisir	Operation of wind farms	-	France	100%	4	21	(3)
SAS SEPE D'Aussac Vadalle	Operation of wind farms	-	France	100%	37	(36)	98
Urgeban Grupo Energético, S.A. (Sole-Shareholder Company)	Development of wind farms	-	Valencia	100%	300	(298)	33
Parque Eólico Ortona Vento, S.R.L.	Operation of wind farms	-	Italy	87.5%	30	(11)	(1)
Parque Eólico Monte Selva, S.R.L.	Operation of wind farms	-	Italy	86.5%	30	(11)	(1)
Sistemas Energéticos el Valle, S.L.	Operation of wind farms	-	Navarre	100%	3	-	-
Sistemas Energéticos Fonseca, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	A Coruña	100%	61	(72)	(33)
Sistemas Energéticos del Umia, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	A Coruña	100%	61	(3)	(6)
Sistemas Energéticos Cuntis, S.A.	Operation of wind farms	-	A Coruña	100%	61	(3)	(9)
Parque Eólico do Picoto, S.A.	Operation of wind farms	-	Portugal	100%	(15)	(1)	(14)
Sistemas Energéticos La Cámara, S.L.	Operation of wind farms	-	Seville	100%	3	-	-
Sistemas Energéticos Alto do Seixal, S.A.	Operation of wind farms	-	A Coruña	100%	61	(36)	(231)
Energies Renouvelables Development, S.A.R.L.	Development of wind farms	-	France	100%	9	(15)	(1)
Sistemas Energéticos Fuerteventura, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Canary Islands	100%	61	(7)	(1)

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
Sistemas Energéticos Arico, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Canary Islands	100%	61	(5)	(2)
Sistemas Energéticos Alto de Croa, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	A Coruña	100%	61	(46)	(2)
Sistemas Energéticos Cabanelas, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	A Coruña	100%	61	(8)	(1)
Sistemas Energéticos Sierra de Costanazo, S.A.	Operation of wind farms	-	Valladolid	60%	61	(4)	-
Abruzzo Vento, Srl	Construction and operation of wind farms	-	Italy	90%	30	(42)	(2)
Sistemas Energéticos Quiñonería, S.A.	Operation of wind farms	-	Valladolid	60%	191	(5)	-
Eólica Da Cadeira, S.A.	Development of wind farms	-	A Coruña	65%	60	(31)	(9)
EBV Holding Verwaltung GMBH	Development of wind farms	-	Germany	100%	25	14	-
Stipa Nayaa, Sociedad de Capital Variable (*)	Operation of wind farms	-	Mexico	85%	-	-	-
EBV WP Nr. 29 GmbH & Co. KG	Operation of wind farms	-	Germany	100%	5	(2)	-
EBV WP Nr. 30 GmbH & Co. KG	Operation of wind farms	-	Germany	100%	5	(2)	-
EBV WP Nr. 31 GmbH & Co. KG	Operation of wind farms	-	Germany	100%	5	(2)	-
Gamesa Energía Zaragoza, S.L. (Sole-Shareholder Company)	Development of wind farms	-	Zaragoza	100%	3	-	(1)
Gamesa Energía Teruel, S.L. (Sole-Shareholder Company)	Development of wind farms	-	Teruel	100%	3	-	(1)
Societe Du Parc Eolien de la Valliere	Operation of wind farms	-	France	51%	37	(21)	162
Gamesa Energía Galicia S.L., (Sole-Shareholder Company) (*)	Development of wind farms	-	Galicia	100%	3	-	(23)
Sistemes Energetics Passanant, S.L., (Sole-Shareholder Company) (*)	Operation of wind farms	-	Barcelona	100%	3	-	(1)
Sistema Energético El Olivar, S.L. (Sole-Shareholder Company). (*)	Operation of wind farms	-	Zaragoza	100%	3	-	-
Sistemas Energéticos Boyal, S.L. (*)	Operation of wind farms		Zaragoza	59.98%	3	-	-
Energiaki Arvanikos, EPE (*)	Operation of wind farms	-	Greece	100%	5	-	(63)
Gamesa Energía S.R.L.de CV (*)	Development of wind farms	-	Mexico	99%	-	-	-
Sistema Eléctrico de Conexión Montes Orientales, S.L.	Operation of wind farms	-	Granada	83.29%	45	(2)	(4)

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
Sistemas Energéticos Loma del Viento, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Las Canteras, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Los Claveros, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Egea, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Sierra de Lucar, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Sierra de Oria, S.A.U.	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Sierra de las Estancias, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Almirez, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Caniles, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos El Periate, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Mojonera, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Zujar, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Cuerda Gitana, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Capellán, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos las Pedrizas, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Jaralón, S.A. (Sole-Shareholder Company)	Development of wind farms	-	Vizcaya	100%	61	(39)	(179)
Parco Eolico Piano Di Iopa, S.R.L	Operation of wind farms	-	Italy	100%	30	(11)	(3)
SAS SEPE de la Souterraine	Operation of wind farms	-	France	100%	37	(14)	(5)
Energiaki Pilou - Methonis, S.A.	Operation of wind farms	-	Greece	100%	60	(41)	(8)
Energiaki Polimilou, S.A.	Operation of wind farms	-	Greece	100%	14,476	(67)	(201)

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
Energiaki Ptoon, S.A.	Operation of wind farms	-	Greece	100%	15,753	(48)	(192)
Taciewo sp. Zoo. W Organizacji	Operation of wind farms	-	Poland	100%	14	(18)	(9)
Pielplin sp. Zoo. W Organizacji	Operation of wind farms	-	Poland	100%	14	(17)	(25)
Southern Windfarm sp. Zoo. W Organizacji	Operation of wind farms	-	Poland	100%	14	(10)	(5)
Sistemes Energetics Conesa I, S.L. (Sole-Shareholder Company)	Operation of wind farms	-	Barcelona	100%	3	332	554
Vento Artabro, S.A.	Development of wind farms	-	A Coruña	80%	61	(16)	(13)
Xeneración Eólica de Galizia S.A.	Development of wind farms	-	Santiago de Compostela	65%	60	(8)	-
Zuromin Sp. Z.o.o.	Operation of wind farms	Deloitte	Poland	100%	15	(9)	(6)
Krzecin Sp. Z.o.o.	Operation of wind farms	Deloitte	Poland	100%	15	(7)	(5)
Parco Eolico Tuturano S.R.L.	Operation of wind farms	-	Italy	100%	30	(6)	(2)
Parco Eolico Prechicca S.R.L.	Operation of wind farms	-	Italy	100%	30	(6)	(2)
Parco Eolico Monte Maggio Scalette S.R.L.	Operation of wind farms	-	Italy	100%	30	(6)	(2)
Sistemas Energéticos Monte Genaro, S.L. (Sole-Shareholder Company)	Operation of wind farms	-	Vizcaya	100%	3	(1)	-
Sistemas Energéticos Sierra de Valdefuentes, S.L. (Sole-Shareholder Company)	Operation of wind farms	-	Vizcaya	100%	3	(1)	-
Sistemas Energéticos Sierra del Carazo, S.L. (Sole-Shareholder Company)	Operation of wind farms	-	Vizcaya	100%	3	(1)	-
Carscreugh Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Harelaw Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Trane Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Shap Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Foel Fynyddau Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Watford Gap Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Pencoed Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Aberchalder Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Windfarm Ringstedt II, GmbH	Operation of wind farms	-	Germany	100%	25	(761)	(335)

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
Toftingall Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Llynfi Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Llanfynydd Renewable Energy Park Ltd.	Operation of wind farms	-	US	100%	-	-	-
Coemga Renovables 1 ,S.L. (*)	Operation of wind farms	-	Barcelona	75%	3	-	-
Coemga Renovables, S.L. (*)	Operation of wind farms	-	Barcelona	75%	3	-	-
Windfarm Gross Hasslow GmbH	Operation of wind farms	-	Germany	100%	25	(316)	(291)
Windfarm Hiddels II / Ellenserdamm GmbH	Operation of wind farms	-	Germany	100%	25	(871)	(16)
A.2 Manufacture of WTGSs							
Gamesa Eólica, S.L. (Sole-Shareholder Company)	Wind-powered facilities	Deloitte	Navarre	100%	3	381,080	15,437
Gamesa Innovation & Technology, S.L. (Sole-Shareholder Company)	Manufacture of moulds, blades and provision of central services (engineering)	Deloitte	Navarre	100%	2,895	552,792	59,432
Estructuras Metálicas Singulares, S.A.	Manufacture of wind generator towers	Deloitte	Navarre	100%	61	5,825	(34)
Gamesa Wind Engineering, APS	Servicios de ingeniería	-	Dinamarca	100%	19	302	(537)
Engineering services	-	Denmark	100%	19	302	(537)	887
Gamesa Wind, GmbH	Wind-powered facilities	-	Germany	100%	995	(10,390)	887
Gamesa Eólica Italia, S.R.L.	Wind-powered facilities	Deloitte	Italy	100%	100	1,950	(3,584)
Gamesa Wind UK Limited	Manufacturing and holding company	-	UK	100%	-	-	(11)
Gamesa Lanka Private Limited (*)	Manufacturing and holding company	-	Sri Lanka	100%	39	(1)	(1)
Gamesa Wind Romania, SRL	Development of wind farms	-	Romania	100%	-	(33)	1,893
Gamesa Singapore Private Limited (*)	Manufacturing and holding company	-	Singapore	100%	-	-	(6)
Gesa Eólica Honduras, S.A. (*)	Manufacturing and holding company	-	Honduras	100%	-	-	-
Gamesa Eólica VE, C.A. (*)	Manufacturing and holding company	-	Venezuela	100%	18	(18)	-
RSR Power Private Limited (*)	Manufacturing and holding company	-	India	75%	-	-	-

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
Windar Renewable Energy Private Ltd. (*)	Manufacturing and holding company	-	US	32%	9	-	-
Gamesa II Eólica Portugal Sociedade Unipessoal Lda	Wind-powered facilities	-	Portugal	100%	960	919	132
Gamesa Wind Turbines Private Ltd	Wind-powered facilities	-	India	100%	3,768	(2,279)	246
Gamesa Blade Tianjin Co Ltd.	Design, manufacture and assembly of blades	Ernst & Young	China	100%	12,000	12,804	9,190
Gamesa (Beijing) Wind Energy System Development Co Ltd.	Manufacture of wind-power components and wind farm maintenance	-	China	100%	200	(3,813)	1,137
Gamesa Wind Tianjin Co Ltd.	Manufacture of wind-power components	-	China	100%	8,198	66,196	41,255
Gamesa Trading Co., Ltd.	Purchase and sale of raw materials (Trader)	Deloitte	China	100%	49	16	(29)
Gamesa Wind Bulgaria, EOOD	Manufacture, construction and operation of wind farms	-	Bulgaria	100%	3	-	711
Gamesa Eolica France SARL	Wind-powered facilities	Deloitte	France	100%	8	3,236	423
Gamesa Electric, S.A. (Sole-Shareholder Company)	Manufacture and sale of electronic equipment	Ernst & Young	Vizcaya	100%	9,395	2,158	590
Cantarey Reinosa, S.A. (Sole-Shareholder Company)	Manufacture of electricity generators	Ernst & Young	Cantabria	100%	4,217	20,329	3,761
Enertron, S.L. (Sole-Shareholder Company)	Manufacture of electronic elements	Ernst & Young	Madrid	100%	301	5,725	2,239
Valencia Power Converters, S.A. (Sole-Shareholder Company)	Manufacture and sale of electronic equipment	Ernst & Young	Valencia	100%	61	16,796	4,245
Gamesa Energy Transmisión, S.A. (Sole-Shareholder Company)	Manufacture of wind-power components	Ernst & Young	Vizcaya	100%	21,660	27,352	9,450
Especial Gear Transmission, S.A. (Sole-Shareholder Company)	Manufacture of gear assemblies	Ernst & Young	Vizcaya	100%	732	(1,137)	1,512
Fundición Nodular del Norte, S.A. (Sole-Shareholder Company)	Iron smelting	Ernst & Young	Burgos	100%	1,200	1,101	183
Transmisiones Eólicas de Galicia, S.A. (Sole-Shareholder Company)	Manufacture of wind-power components	Ernst & Young	A Coruña	100%	695	1,950	147
Gesa Eólica Mexico, SA de CV (*)	Wind-powered facilities	-	Mexico	100%	3	(540)	370
Gamesa Wind Poland Sp zoo	Wind-powered facilities	Deloitte	Poland	100%	13	5,212	(3,314)
Parque Eólico Dos Picos, S.L. (Sole-Shareholder Company)	Operation of wind farms	Deloitte	Vizcaya	100%	1,229	(136)	157

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
Gamesa Morocco, SARL	Wind-powered facilities	-	Morocco	100%	1	111	153
Gamesa Wind Energy Services, Ltd (*)	Manufacturing and holding company	-	Turkey	100%	-	(3)	(75)
Gamesa Eólica Costa Rica, S.R.L. (*)	Manufacturing and holding company	-	Costa Rica	100%	-	-	16
Gamesa Wind Sweeden, AB (*)	Manufacturing and holding company	-	Sweden	100%	5	5	77
Gamesa Japan Kabushiki Kaisha	Manufacturing and holding company	-	Japan	100%	18	(488)	(9,499)
Gamesa Wind Hungary KTF	Manufacturing and holding company	-	Hungary	100%	12	269	2,167
Gamesa Eolica Greece E.P.E.	Manufacturing and holding company	-	Greece	100%	18	17	343
EOLO RE, S.A.	Reinsurance	-	Luxembourg	100%	3,000	13	-
Jiling Gamesa Wind Co., Ltd. (*)	Manufacturing and holding company	-	China	100%	1,630	67	(162)
Inner Mongolia Gamesa Wind Co.,Ltda. (*)	Manufacturing and holding company	-	Mongolia	100%	1,651	48	(89)
Gamesa Ireland Limited (*)	Manufacturing and holding company	-	Ireland	100%	-	-	591
Gamesa Estonia OÜ (*)	Manufacturing and holding company	-	Estonia	100%	3	-	(2)
Gamesa Canada ULC (*)	Manufacturing and holding company	-	Canada	100%	-	-	-
B) GAMESA NUEVOS DESARROLLOS GROUP							
Gamesa Nuevos Desarrollos, S.A. (Sole-Shareholder Company)	Development of electricity facilities	-	Vizcaya	100%	61	(2,103)	1,136
Gamesa Eólica Brasil, Ltd.	Management of electricity facilities	-	Brazil	100%	4,254	(3,722)	(101)
C) GAMESA TECHNOLOGY CORPORATION GROUP							
Gamesa Technology Corporation, Inc	Administrative management services	Deloitte	US	100%	24,942	(87,830)	(2,222)
Fiberblade, LLC	Wind-powered facilities	Deloitte	US	100%	1	(16,171)	15,129
Gamesa Wind US, LLC	Wind farm maintenance services	Deloitte	US	100%	88	(84,345)	(58,394)
Gamesa Wind, PA, LLC	Manufacture and assembly of wind generators	Deloitte	US	100%	81	(132,057)	43,483

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
Gamesa Energy USA, Inc.	Development of wind farms	Deloitte	US	100%	1,691	9,765	(1,107)
Fiberblade East, LLC	Wind-powered facilities	Deloitte	US	100%	1	(36,633)	(2,489)
Towers & Metallic Structures, Inc.	Manufacture of wind generator towers	Deloitte	US	100%	2,211	(32,312)	4,149
Allegheny Wind Expansion, LLC	Operation of wind farms	-	US	100%	-	-	-
Cedar Cap Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Crescent Ridge II, LLC	Operation of wind farms	-	US	100%	-	-	-
Chestnut Flats Wind, LLC	Operation of wind farms	-	US	100%	1	-	-
Eagle Rock Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Elk Falls Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Gulf Ranch Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Jackson Mountain Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Mahantango Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Rock River Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Nescopeck Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Sandstone Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Pine Grove Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Shaffer Mountain Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Sandy Ridge Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Whispering Prairie Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Vaquillas Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Senate Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Trinity Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
White Wind Farm, LLC	Operation of wind farms	-	US	100%	-	-	-
Pocahontas Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Minonk Wind, LLC	Operation of wind farms	-	US	100%	-	-	-

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
Lancaster Wind Farm, LLC	Operation of wind farms	-	US	100%	-	-	-
D) OTHER							
Cametor, S.L.	Ownership of non-current assets	-	Vizcaya	100%	3,902	7,416	332
Compass Transworld Logistics, S.A.	Logistics and transport	KPMG	Navarre	51%	6,861	1,044	832
Qgrid Technologies, S.L.	Trading company	-	Vizcaya	60%	20	(7)	28
Gamren Eólico Solar, S.L.	Development of wind and solar farms	-	Madrid	49%	3	-	(8)
PROPORTIONATELY CONSOLIDATED COMPANIES							
Eoliatec del Istmo Sapi de CV (*)	Operation of wind farms	-	Mexico	50%	95	89	(426)
Eoliatec del Pacífico Sapi de CV (*)	Operation of wind farms	-	Mexico	50%	12	264	(608)
Windkraft Trinnwillershagen Entwicklungsgesellschaft, GmbH	Development of wind farms	-	Germany	50 %	51	589	(6)
Sistems Electrics Espluga S.A.	Operation of wind farms	-	Barcelona	50%	61	(291)	(41)
COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD							
Windar Renovables, S.L.	Head of the companies which manufacture wind generator towers	Norte Auditores	Navarre	32%	9	-	-
Energías Renovables San Adrián de Juarros, S.A.	Construction and operation of wind farms	-	Burgos	45%	60	(6)	-
Skybuilt Power, Inc. (*)	Manufacturing and holding company	-	US	28.75%	4,678	(1,268)	(529)
Worldwater & Solar Technologies Inc.(*)	Manufacturing and holding company	-	US	25%	2,309	(413)	(698)

(*) Companies included in the GAMESA Group in 2010.

Carlos Rodríguez-Quiroga Menéndez, with National Identity Card Number 276302 A, Secretary of the Board of Directors of "Gamesa Corporación with registered office in Zamudio (Vizcaya), at Parque Tecnológico de Bizkaia, edificio 222 with employer identification number A-01011253.

HEREBY CERTIFY:

That the text of the consolidated financial statements for 2010 of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. authorised for issue by the Board of Directors at its meeting held on 23 February 2011 is the content of the preceding 87 sheets of unstamped paper, on the obverse only, and the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements, for authentication purposes, bear my signature and that of the Chairman of the Board of Directors.

The directors listed below hereby so ratify by signing below, in conformity with Article 253 of the Spanish Limited Liability Companies Law.

D. Jorge Calvet Spinatsch
Chairman

D. Juan Luis Arregui Ciarsolo
Deputy Chairman

Doña Benita Ferrero-Waldner
Director

D. Luis Lada Díaz
Director

D. Carlos Fernández-Lerga Garralda
Director

Iberdrola, S.A.
(D. José Miguel Alcolea Cantos)
Director

D. Carlos Rodríguez-Quiroga Menéndez
Director

D. José María Vázquez Egusquiza
Director

D. Pedro Velasco Gómez
Director

Madrid, 23 February 2011 In witness whereof
Approval of the Chairman

D. Jorge Calvet Spinatsch
Chairman

D. Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors

Activity Report 2010

1. Evolution of the Company during the year

€ 472 Million of net free cash flow generation and attainment of the targets for 2010 demonstrate efficient management and allow Gamesa to undertake the 2011- 2013 Business Plan from a solid financial and operational position

2010 Highlights – Gamesa consolidated group

Gamesa Corporación Tecnológica[1] ended 2010 with € 472 million[2] of net free cash flow due to strict cost controls and tightly aligning manufacturing with the delivery schedule. The Wind-Turbine division[3] sold 2,405 MWe and attained an EBIT margin of 4.9%, while a recovery in the sale of wind farms in 2010 enabled Gamesa Energía to break even[4] in terms of EBIT, i.e. meeting the goals to which the Group was committed.

Group revenues totalled € 2,764 billion, i.e. less than the 2009 figure, as a result of the company's decision to adjust manufacturing to project delivery schedules and of the impact of the financial crisis on demand in 2009 and the knock-on effect on industry activity in the first half of 2010.

The policy of aligning manufacturing to the delivery schedule, and advance payments coming from projects connected to incentives programs for investment in renewable energy (ARRA Section 1603 [5]) in the US enabled Gamesa to reduce the group's working capital/revenues ratio to 16%, well below the level to which the company committed at the beginning of the year.

Positive results from implementing the PMC 500 cost improvement plan enabled the Wind-Turbine division to attain a 4.9% EBIT margin in 2010, i.e. within the committed range of 4.5%-5.5%, despite a high level of competition in the market. Additionally, the recovery in the development and sale of wind farms in 2010, when 593 MW were delivered, enabled Gamesa Energía[6] to break even in EBIT, having generated € 10 million in EBIT in the second half of the year. As a result, consolidated EBIT amounted to € 119 million, equivalent to 4.3% of the Group's sales.

The steady recovery in demand during the year and the commercial expansion strategy implemented by Gamesa at the end of 2009 led to an order book of 1,414 MW[7] at 2010 year-end, i.e. 25% more than at the end of 2009 and representing 48%[8] coverage of our sales guidance for 2011.

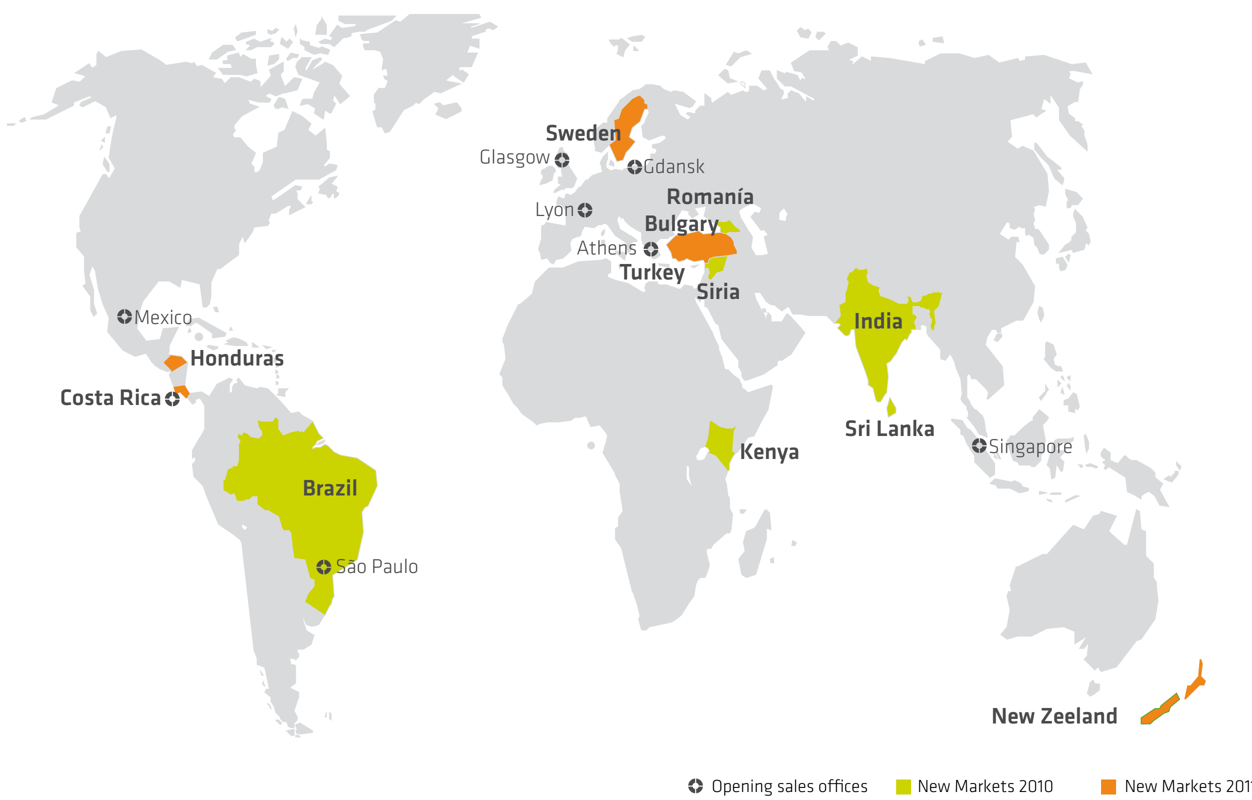
Gamesa Corporación Tecnológica ended the year with a net cash position of € 210 million after generating € 472 million during the year. The strong balance sheet and fulfilment of the 2010 objectives place the company in a solid position, in operating and financial terms, to undertake the business plan 2011-2013 in a context of a steady recovery in demand.

[1] Gamesa Corporación Tecnológica manufactures wind turbines and develops, builds and sells wind farms
[2] Net free cash flow=Operating cash flow +▼/-▲ working capital +▼/-▲ capex
[3] Wind-Turbine division + Holding Company
[4] Gamesa Energía attained € 0.02 million in EBIT in 2010.
[5] ARRA (American Recovery and Reinvestment Act 2009).
[6] Gamesa Energía is the division of Gamesa Corporación Tecnológica that focuses on developing and selling wind farms
[7] Backlog of firm orders for delivery in 2011 in the Wind-Turbine division.
[8] Coverage of sales calculated on the average of the annual range committed for the Wind-Turbine division (2,800-3,100 MWe)

Steady progress in the commercial expansion strategy

In 2010, the Group expanded its commercial efforts into new countries and market segments, with the result that Gamesa entered 10 new countries and diversified its portfolio with more than 20 new accounts, including utilities, IPPs, financial investors and industrial groups. Notable results of the commercial strategy are the signature of contracts with two new customers (IPPs in the US and China) in the fourth quarter of the year. In the US, Gamesa signed two contracts to supply G9X-2MW wind generators to Western Wind: 120 MW for the Tehachapi Pass (California) wind farm, and 10MW for a wind farm in Kingman (Arizona). In China, the company signed a contract to supply a total of 105MW of the G58-0.85 MW model to Henan Weite.

During the year, Gamesa strengthened its sales network by opening offices in Glasgow, Lyon, Athens, Gdansk, Mexico City, Sao Paulo and Singapore, hiring a total of 50 people.



Adjusting capacity to demand

In 2010, Gamesa began the tailoring of production capacity to demand, developing new production and supply capacity in markets with regulatory and tariff systems or economic plans that are favourable for the development of wind power over the long term and which, therefore, have greater growth prospects. The better demand projections are also supported by strong rates of economic growth and lower levels of electrification in several of those regions. The investments in China, India and Brazil were made in this context. During 2010, Gamesa began reducing capacity in Spain by closing the Alsasua plant (G52-850kW blades), cutting capacity at Somozas (G90-2MW blades) and implementing temporary redundancy plans at another three plants, while converting capacity to produce new products (G10X-4.5MW) and for expansion of the large repairs business.

Gamesa China completed the plan for industrialisation of the G9X-2.0MW wind turbine in 2010. Following adaptation of the Chinese plant to assemble nacelles and generators and reaching agreements with strategic partners in the region for the supply of blades and gearboxes, Gamesa ended the year with 1,000 MW of local capacity for two product platforms: G5X–0.85 MW and G9X–2 MW. The success of the 2MW platform is evident in the fact that this new product accounted for 56% of total sales in China in 2010.

After completing industrialisation of the G9X-2MW, Gamesa began installing two new nacelle assembly plants (500 MW capacity each) in the Jilin and Inner Mongolia regions to better serve demand in those two regions; the plants will be ready in 2011.

Gamesa continued the strategy of joint development agreements with large Chinese electric utilities, having signed a total of 2,426 MW[9] by 2010 year-end. Under those agreements, wind farms (total capacity: 256 MW) were commissioned in the Shandong, Liaoning and Inner Mongolia regions in 2010.

The process of industrialisation in India that commenced with start-up of the first production plant in Chennai in 2009 (200MW of nacelle assembly capacity) advanced much faster than expected given the need to respond to strong demand growth, and assembly capacity was close to 500MW by year-end. By the end of the year, Gamesa had a local supply chain involving over 50 suppliers that enabled it to install 165 units of the G58-850kW model during the year.

In Brazil, Gamesa has begun construction of a nacelle assembly plant in the state of Bahia with 300MW capacity; the plant will be completed in 2011. This investment commitment is linked to progressive development of the wind-power business in Brazil, where Gamesa landed a contract in the second half of 2010 to supply 42MW (G87-2MW) to Inveravante and has signed an agreement to develop 9 wind farms for Iberdrola Renovables with a total capacity of 258MW (G9X-2MW).

Product portfolio optimisation and offshore development

In 2010, Gamesa continued working to optimise the product portfolio with the installation of the second prototype of the G10X-4.5 MW and the launch of a new family of products in the 2 MW platform. The second G10X-4.5 MW prototype includes the Innoblade® segmented blade, Concretower® hybrid tower and the new Compactrain® compact drive train; these innovations are aimed at minimising the cost of energy by reducing logistics and O&M expenses and increasing the wind generator's availability and reliability. In the second half of the year, sales commenced of the G97-2 MW turbine, designed for Class III, with a swept area that is 16% greater than that of the G90-2 MW, currently for Class III, thereby increasing energy production by almost 14% and also providing a better, quieter aerodynamic design.

Gamesa continued to progress with its offshore development plan by signing an agreement with Northrop Grumman Newport News Shipbuilding for joint development and commissioning of the prototype G11X-5MW in the US in the second half of 2012. The alliance combines Gamesa's experience and know-how in multi-MW technology with Northrop Grumman's expertise in logistics of heavy loads, performance and reliability systems, and marine technology applications.

Regulatory support in key markets

Although the weak macroeconomic situation impacted the development of the regulatory framework for renewable energy in Europe and the United States in 2010, the year ended with clear government support for wind power in the main regions.

- **China**: The Chinese government is working on its next five-year energy plan (2011-2015) in which wind power will continue to be a strategic priority; a goal of 150 GW of wind capacity is being considered for 2020. The plan is expected to be published in March 2011.
- **USA**:On 16 December 2010, the period for applying for Treasury Grants under section 1603 of the American Recovery and Reinvestment Act (ARRA) was extended to December 2011. The extension will enable independent power producers that missed the first round of subsidies (Q4 2009) to develop their project portfolios. The United States has yet to draw up and approve a Federal Energy Act.
- In Europe, the governments of the European Union Member States have presented their National Renewable Energy Action Plans (NREAP) to attain the 20/20/20 target[10] . The regulatory volatility experienced in southern Europe in the second quarter of the year culminated with the approval of measures to support orderly development of renewable energy in the short and medium term, although plans to guarantee long-term development remain to be defined.

[9] Total agreements signed from adoption of the strategy of joint development agreements (2009) through December 2010.
[10] 20% of power from renewable sources and a 20% reduction in greenhouse gas (GHG) emissions by 2020 with respect to 1990 levels.

- The Spanish government promulgated in law (RD 1614/2010) the agreement reached with the wind-power industry in July 2010 which maintained the fixed tariff and temporarily reduced the system of premiums (a 35% reduction in the premium cap until 2012) set out in RD 661/2007. Additionally, collection of the premium was capped at 2,589 hours, provided that Spain's wind-power fleet averaged more than 2,350 hours. Spain also approved RD 1565/2010, which regulated the payment of a premium similar to that under RD 661 for wind farms classified as experimental (160 MW by the end of 2012). A regulatory and tariff framework has yet to be defined for wind farms that are commissioned in 2013 and beyond.

- In Italy, the bill on green certificates maintains the obligation for the national electricity regulator (GSE) to purchase surplus certificates until 2015. Pending approval is a long-term regulation to replace the current system of green certificates with a system of premiums for renewable energy output (FiT).

- Since 2009, **Brazil** has had a system of competitive bidding in place of the pre-existing system of premiums (PROINFA). In December 2009, ANEEL held a tender for 1,800 MW of wind capacity in 71 wind farms to be developed by the end of 2012. The second auction (1,500 MW of wind capacity) took place in August 2010, and there will be a third auction in 2011, involving natural-gas-fired plants in addition to renewable energy plants.

- **India** has a complex system of support involving national and state-level incentives, some of which are mutually exclusive. Late in 2009, the Indian government approved a premium of 0.5 rupees/kWh for renewable energy output (GBI), on top of the various states' feed-in tariffs, but this premium is not applicable to wind farms taking accelerated depreciation. The abolition of the accelerated depreciation system was approved in 2010 (to take effect probably in March 2012); in its place, a market of green certificates (REC) was established; the certificates can be traded in several states, the goal being to foster a national market in renewable energy in place of the existing fragmented situation. This system came into force in January 2011.

Wind Turbines

Key factors

In 2010, Gamesa managed its income statement and balance sheet effectively, enabling it to attain the goals to which it committed in July and end the year with a solid financial position.

Gamesa's Wind-Turbine Unit ended 2010 with:

- 2,405 MWe of wind turbines sold (2010 guidance: 2,400-2,500 MW)
- an EBIT margin of 4.9% (guidance: 4.5% -5.5%)
- and a working capital/revenues ratio of -1%, well below the guidance of 20% due to aligning manufacturing with deliveries, strict cost controls and a recovery in demand.

There was a notable 11% increase in MW delivered in 2010, and deliveries reached a record 2,147 MW in the second half of the year, reflecting a change in trend.

Additionally, Gamesa signed contracts for a total of 1,996 MW in the second half of 2010, confirming the recovery of demand and the success of the commercial expansion strategy introduced late in 2009. At the end of 2010, Gamesa had an order book of 1,414 MWe for delivery in 2011, which lends visibility to the company's performance in the next year (48% coverage of the average MWe sales guidance for 2011).

For the first time in 20 years, the global volume of new installed wind capacity shrank in 2010 (c. -7%) as a result of the weak economic recovery as well as difficulties in the financial markets and their impact on regulatory commitments to renewable energy.

- In the US, the pace of installations halved with respect to 2009 as a result of the delay in approval of a federal energy act and the low price of gas. In December 2010, the system of Treasury Grants for renewable energy projects under section 1603 of the American Recovery and Reinvestment Act was extended to December 2011.

- Demand in Spain came to a standstill due to the entry into force of the pre-assignment register in 2009, the uncertainty about application of the special regime (RD 661/2007) in 2010 and the lack of a regulatory framework for wind projects after 2013. As a result, the volume of installations in Spain fell 38% in 2010 with respect to 2009 (to the lowest figure since 2003)[11].
- In contrast, installations surged strongly in such countries as China, India, Brazil and the north of Africa in 2010.

Gamesa responded to this situation by advancing its internationalization strategy, moving into new markets and landing new customers while focusing on financial soundness and profitability, which enabled it to generate € 420 million in net free cash flow [12](Wind-Turbine division).

The Wind-Turbine Division's activity in 2010 can be broken down as follows:

(MW)	2009	2010	% chg.	Q4 2010	Status
MW delivered to customers	2,418	2,685	+11%	1,009	Handover of ownership to customer, in wind farm, or factory; Invoiced
+ Variation in MWe available Ex Works	+410	-142		+358	Variation in stock of WTG available for delivery to customer; Invoiced Ex Works
+ Variation of MWe Work in Progress	+317	-138		-562	Variation in the stock of WTG not available for delivery to customer; Not invoiced
MWe sold	3,145	2,405	-24%	805	

Despite the lower volume of activity in 2010 due to the policy of controlling inventory and optimising working capital, Gamesa delivered 2,685 MW to wind-farm sites, i.e. 11% more than in 2009. The company beat its own record in the second half of the year by delivering 2,147 MW, which confirms the recovery in deliveries. As Gamesa had predicted, there were strong seasonal fluctuations during the year, and 80% of deliveries were concentrated in the second half.

Additionally, MWe available Ex Works and WIP varied by -204 MWe in the fourth quarter of 2010 and by -280MW in the full year as a result of the rapid pace of assembly in the fourth quarter in Europe and despite bringing forward production to fulfil commitments made to US customers for 2011. These commitments are connected with the need to fulfil the requirements for Treasury Grants under ARRA Section 1603.

The geographic breakdown of sales in 2010 shows the success of the internationalization strategy; foreign markets increased their share of sales to 93%, from 73% in 2009.

There is a growing contribution from sales in the main growth areas:

- China's share of the group's total sales rose to 28%, from 15% in 2009. The G9X-2MW platform was successfully introduced into China and accounted for 56% of total sales in that country in its launch year
- India accounted for 8% of total sales in the first year of operation, i.e. close to 200 MW, which is almost 100% of the total available production capacity during the year.
- The US continues to gain in share of total sales, accounting for 28% in 2010, up from 15% in 2009 despite the sharp decline in installations in the US market during the year.

[11] Spanish Wind Association–Asociación Eólica Española (AEE)

[12] Net free cash flow = Operating cash flow +▼/-▲ working capital +▼/-▲capex (excluding dividends paid between divisions)

Geographical breakdown of wind-turbine sales (MWe)	2009	%	2010	%
Spain	857	27%	168	7%
US	478	15%	678	28%
China	479	15%	664	28%
India	16	1%	196	8%
Rest of Europe	994	32%	523	22%
Rest of world	321	10%	176	7%
TOTAL	3,145		2,405	

The product mix in 2010 reveals that the G9X-2MW platform expanded to account for 71% of total sales, compared with 66% in 2009. The G5X-0.85MW platform accounted for 24% of total MWe sold, with MADE representing 5%.

Wind-Turbine Division Results 2010

The continuing focus on cost optimisation plans and on financial soundness enabled the Wind-Turbine division to attain positive cash flow in 2010 despite the reduction in sales (MWe sold down 24% with respect to 2009), and it attained a solid EBIT margin of 4.9%. Additionally, close alignment between production and deliveries, strict cost controls and the recovery in firm orders in the second half of 2010 (1,996MW) enabled the division to end the year with a negative working capital/revenues ratio (-1%).

(million euro)	2009	2010	% Chg.	Q4 2010
Sales	3,113	2,623	-16%	916
EBITDA	430	338	-21%	119
EBITDA/Sales (%)	13.8%	12.9%		13.0%
EBIT	225	127	-43%	35
EBIT / Sales (%)	7.2%	4.9%		3.9%
Net profit	144	64	-56%	14
Net profit/sales (%)	4.6%	2.4%		1.5%
Working capital	363	-27		-27
% Sales	12%	-1%	-13%	-1%
NFD	72	-405		-405
NFD / EBITDA	0.2x	-1.2x	-1.4x	-1.2x

Revenues fell by 16% in 2010 with respect to 2009. However, sales surged 9% in the fourth quarter with respect to the same period of 2009, evidencing an upswing in the second half of the year. Also, the services unit maintained a steady pace of growth in 2010, booking € 312 million in revenues in 2010, up from € 225 million in 2009.

Consolidation of measures related to the PMC 500 cost improvement plan enabled the Wind-Turbine division to attain an EBIT margin of 4.9% in 2010 despite the lower level of activity. Gamesa reined in its cost base using programmes to reduce material costs, implementing a lean production system at the nacelle plants, improving supply chain flexibility by certifying suppliers in new markets, and in new product platforms. However, the improvement in costs was offset by price pressure in China (which accounts for 28% of revenues) and by partial transfer to customers of the improvements in costs and productivity.

Warranty provisions amounted to approximately 3.5% of Wind-Turbine revenues, reflecting rapid expansion into new markets, Gamesa's sound process and product platform, and its emphasis on operational excellence.

The Wind-Turbine division's net profit has been impacted by the following non recurrent effects

- The impairment of property, plant and equipment of Sistemas Energéticos Almodovar del Rio SL as of 12.5 MM EUR, due to the regulatory changes in Spanish solar energy.
- A 15 MM EUR value adjustment to the investment in the associated society Windar Renovables SL as a result of a lower activity due to a weaker demand linked to the wind regulatory uncertainty in Spain.

Gamesa ended the year with a working capital/revenues ratio of -1%, well below the 12% ratio registered in 2009, as a result of aligning production to delivery schedules, the revival in firm orders, and advance payments collected on projects under ARRA section 1603 in the US.

As a result, the Wind-Turbine division generated € 420 million in net free cash flow in 2010 and ended the year with a net cash position of € 405 million[13] on the balance sheet.

Gamesa continued its capex optimisation policy, keeping capex at € 128 million, which includes expenditure linked to building new manufacturing capacity for the G9X-2 MW in China, commencement of construction of two new plants in Inner Mongolia and Jilin, new capacity in India for the G5X turbine, and investment linked to manufacturing of the new G10X-4.5 MW wind turbine.

Wind Farms

Key Factors

The Wind-Farms division saw an upswing in earnings in 2010, with EBIT of € 10 million in 2H, providing a net positive contribution for the year as a whole, due to the recovery in wind-farm sales in Europe, the US and Latin America.

The division controlled debt strictly in 2010 and was able to maintain the debt with respect to 2009 after paying dividends to the Wind-Turbine Division and the holding company [14].

Gamesa's global wind-farm pipeline (22,661 MW) at 31 December 2010 represents a competitive advantage. The company continues focusing on the development of its wind-farm pipeline with a view to advancing implementation of its value realisation plan.

Wind-Farm Development Stages (MW)	2009	2010	% Growth.
Highly Confident	2,694	2,618	-3%
Total pipeline	21,913	22,661	+3%

Gamesa had 396 MW in the final phases of construction and commissioning at 31 December 2010, proof that that it continues advancing development of the pipeline with greatest visibility. The company commissioned its first wind farm in the US (38 MW) after two years of inactivity, evidencing a recovery of the wind-farm business in that country.

[13] The net cash position of the Wind-Turbine division's balance sheet at 2010 year-end includes the payment of € 60 million from Gamesa Energía (these dividends are not included in the definition of net free cash flow).
[14] Gamesa Energía, the division that develops and sells wind farms, paid € 60 million in 2010 to Gamesa Wind Turbines & holding company.

Activity (MW)	2009	2010	% Growth.
MW under Construction	187	230	+23%
MW commissioned	485	166	-66%
Total	672	396	-41%

Note: does not include MW in joint development agreements in China, in which Gamesa holds a minority stake.

Wind-Farm division results for 2010

The Wind-Farm division's results in 2010 reflect the recovery of wind-farm construction and sales, with the delivery of 593 MW in 2010, of which 180 MW were delivered in the fourth quarter (92 MW had been monetised in June 2010). Gamesa entered into new markets in 2010, including Poland (32 MW) and Mexico (20 MW), as well as contracts with new customers, such as Edison, IKEA and RWE.

Accordingly, the Wind-Farm Development and Sales division achieved its goal of breaking even in 2010[15] . In fact, in the last six months of 2010, the division contributed € 10 million to group EBIT (€ 6 million in Q4 2010).

The recovery of wind-farm sales enabled the division to end 2010 with debt on par with 2009 levels, i.e. € 196 million, after paying 60 MM EUR of dividends to the Wind-Turbine division and the holding company.

(million euro)	2009	2010	Q4 2010
Sales	563	432	144
EBIT	-41	0	6
Net Profit	-26	-5	7
NFD	187	196	196

[15] EBIT break-even

Gamesa Corporación Tecnológica Results 2010

The Consolidated Group's main financial figures appear below.

(million euro)	2009	2010[1]	% Chg.	Q4 2010
Sales	3,229	2,764	-14%	978
EBITDA	394	328	-17%	127
EBITDA / Sales (%)	12.2%	11.9%		12.9%
EBIT	177	119	-33%	44
EBIT / Sales (%)	5.5%	4.3%		4.5%
Net profit	115	50	-56%	25
NFD	259	-210		-210
NFD / EBITDA	0.7x	-0.6x	-	-0.6x

[1]) The results of Gamesa Corporación Tecnológica reflect the impact in 2010 of the consolidation adjustment from eliminating sales (and the corresponding margins) from the Wind-Turbine division to the Wind-Farm division for which sales agreements with third parties were in the final phases of negotiation at the end of the period.

Outlook

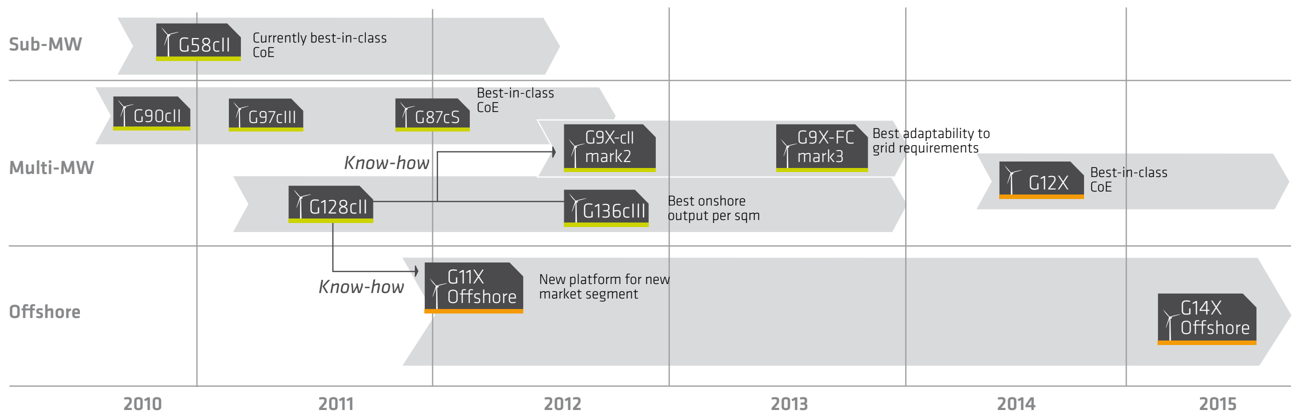
Gamesa has implemented a 3-year business plan (2011-2013) in order to strengthen its lead in the wind-power market and make it a benchmark in the industry in terms of cost of energy. This objective hinges on three vectors:

- Reducing the cost of energy through technological development and improving O&M services
- Maximising growth by expanding into new markets and segments, covering the entire value chain, from development through to O&M
- Maximising efficiency by launching new industrial platforms, adjusting capacity to demand, and optimising the cost structure

Industry benchmark for cost of energy

Gamesa will work to reduce its customers' cost of energy by 20% in the next three years, and by 30% by 2015. This reduction will be attained by enhancing reliability, efficiency and availability of Gamesa's present and future product portfolio. In this context, Gamesa aims to double R&D staff by 2013 and open five new engineering and R&D centres: two offshore centres: one in Virginia (US) and one (pending funding approval) in Glasgow (UK), and three further centres: one each in Brazil, India, and Singapore. In 2010, Gamesa expanded the workforce by 193 people and hired an additional 53 in January 2011, opened an engineering centre in Chennai (India), and commenced work on the new offshore power development centre in Virginia, which was inaugurated in January 2011. The company is also planning to open a materials research centre in Singapore in the first half of 2011.

Gamesa will launch five new product families, including the G97-2MW, which offers a 14% performance improvement over its predecessor and will be a market leader in the 2 MW category for low-wind sites (IEC III A), and the G94-2MW, both of which are in the commercial phase, and the multi-MW family of products, whose technological improvements will be rolled out in the existing product range to enhance reliability and performance. In this way, Gamesa is positioned as the benchmark for cost of energy in both the sub-MW and multi-MW segments.

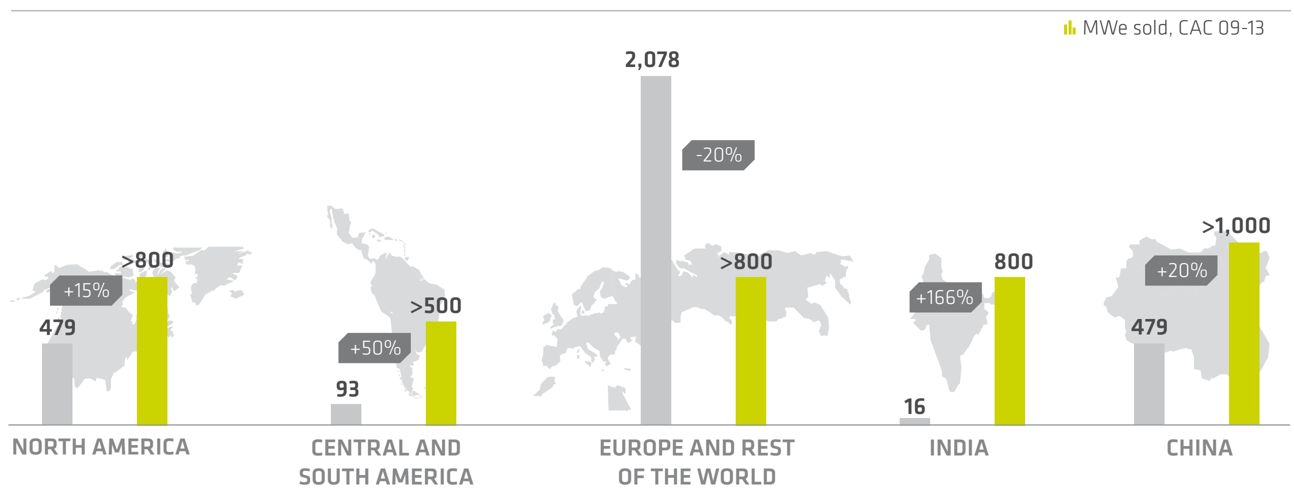


Gamesa's O&M division is playing a crucial role in reducing the cost of energy by maximising plant availability and performance and minimising servicing costs. The company is incorporating O&M expertise into product design with a view to increasing wind-turbine availability and lengthening useful life. It is also reducing downtime by repairing components, managing stock, and performing preventive maintenance. With a view to reducing costs, Gamesa will provide training and certification programmes to subcontractors, and will consider performance in the turbine pricing.

Growth

As part of its expansion into new markets and segments to offset the maturity and regulatory uncertainty of its traditional markets, Gamesa entered 12 new markets including two more in the first quarter of 2011 and obtained over 20 new customers. To maintain this level of success and attain the target of selling 4,000 MW in 2013, Gamesa is expanding its presence on the ground

Gamesa sales 2009-2013



by opening new sales offices (24 in total; it opened 7 in 2010), which enhance the company's understanding of customer needs and enable it to respond more rapidly to customer demand. The new commercial organization continues to design and offer customised value propositions adapted to each customer segment's specific features, ranging from large electric utilities through industrial groups and financial investors to small and medium-sized IPPs.

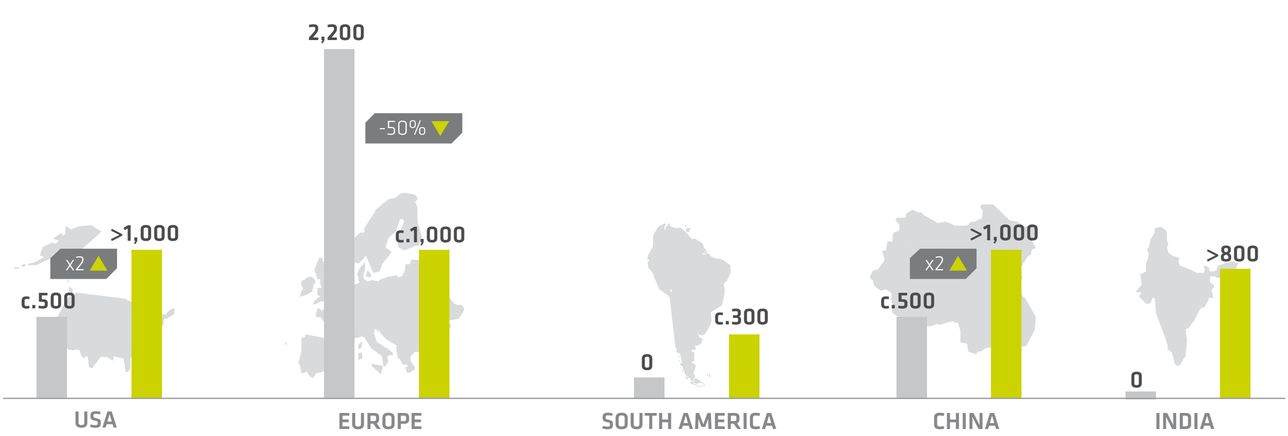
Gamesa Energía, the division that develops, builds and sells wind farms, is a unique asset that enables Gamesa Corporación Tecnológica to provide its customers with detailed knowledge of the entire value chain, from wind measurement to wind-farm commissioning; this reduces the project risk for the customer and for the financial institution. Risk abatement is a key factor in the current market context of macroeconomic and regulatory uncertainty, and it makes Gamesa Energía a source of significant demand, the goal being to deliver around 400 MW per year in 2011-2013, not counting joint development deals in China (another 300 MW per year). The recovery of development and sales activity will enable Gamesa Energía to increase its contribution to the group's operating profit, with over € 20 million per year projected over the next three years.

Efficiency

The change in the wind-power market since the financial crisis in 2008, coupled with the slow pace of economic recovery and regulatory uncertainty, require greater efficiency from turbine manufacturers, which are operating in an increasingly competitive environment. Gamesa was one of the first companies in the sector to implement a cost-optimization plan, which has saved around € 250 million since it was implemented and has enabled the company to remain profitable despite lower levels of activity.

As part of the new business plan, Gamesa will continue to implement measures to improve operating efficiency, particularly tailoring its industrial capacity to demand. Accordingly, Gamesa plans to reduce capacity in Spain by 50%, to 1,000 MW, with a cost of approximately € 10 million in 2011 and € 25 million in the period as a whole (2011-2013). Following the reduction of capacity [16] in 2010, in 2011 the company will convert three plants to undertake large repairs and produce new products (G10X-4.5 MW platform).

Effective blade manufacturing capacity[1], 2009-2013 (MW)



[1] Capacity based on workforce size rather than equipment

At the same time as it is rationalizing capacity in Spain, Gamesa is expanding capacity in markets with strong growth potential, such as India, where it plans to have 800 MW of capacity by 2013, and South America, where it implemented 300 MW of capacity in the same year, thereby expanding production capacity in key emerging markets. As a result, by 2013 Gamesa will have approximately 1,000 MW of capacity in each of the key markets.

Gamesa commenced 2011 with 500 MW in G5X-850 kW (nacelle assembly) capacity in India, in line with the company's goal of

[16] Closure of the plant in Alsasua, Navarra, which manufactures blades for the G5X-850 kW (200 MW), and capacity adjustment at the plant in Somozas, Galicia, which manufactures the blade for the G9X-2 MW (cutting capacity by 300 MW)

doubling capacity to meet the strong pace of growth in demand. The company plans to open a blade factory (300 MW of G5X-850 kW) and continue to localise the G9X-2 MW in 2012. The local supply chain plays a vital role in product localisation. Gamesa is working closely with over 50 suppliers in India to obtain a supply commitment with costs, process and product quality and deadlines which conform to Gamesa's standards.

The industrial implementation plan in Brazil will begin in 2011 with the opening of a nacelle assembly plant with 300 MW capacity, and the company will establish a local supply chain to obtain around 40% of materials in Brazil by 2011, c.50% by 2012 and c.60% by 2013. Gamesa will also deliver 42 MW in Brazil to the Minas de Paracuru wind farm in the state of Ceará, its first contract in the country.

2. Outlook

2011-2013 Outlook

By implementing its business plan 2011-2013, Gamesa expects to expand MWe sales by 15% per year in the Wind-Turbine Division, with an EBIT margin of 6%-7% by 2013, while maintaining a sound financial position, with a consolidated net debt/EBITDA ratio of 2.5 and a working capital/revenues ratio of 20% in the Wind-Turbine division.

In 2011, Gamesa expects to achieve a sales volume in the Wind-Turbine division of between 2,800 and 3,100 MWe and an EBIT margin of 4-5%, including capacity restructuring expenses in Spain (€ 10 million). Excluding capacity-restructuring expenses, the company expects the EBIT margin for the Wind-Turbine division to remain stable. Gamesa Energía expects deliveries amounting to c. 400 MW (not including joint development agreements in China), and EBIT of € 20 million.

In view of its 2010 cash flow and the company's strong start to 2011, Gamesa has established stricter guidance for 2011, reducing the limit for the group the net financial debt/EBITDA ratio from below 2.5x to below 2x, and the working capital/revenues ratio for the Wind-Turbine division from a range of 20-25% to a range of 15-20%.

		2010		Guidance 2010	Guidance 2011 OLD	Guidance 2011 NEW	Guidance 2013
WTG manufacturing	WTG						
	MWe sold	2,405	✓	2,400 - 2,500	2,800 - 3,100	2,800 - 3,100	CAGR2010-13: 15%
	EBIT Margin	4.9%	✓	4.5% - 5.5%	4% - 5%	4% - 5%	6% - 7%
	WC as % of sales	-1%	✓	c.20%	20% - 25%	15% - 20%	c.20%
	Capex	128	✓	150	250(2)	250(2)	250(2)
Windfarm development & sales	Wind Farms						
	MW delivered	593	✓	c.300(1)	c.400	c.400	c.400
	Join promotion China	256	✓	c.150	c.300	c.300	c.300
	EBIT (MMEUR)	0	✓	c.0	c.20	c.20	c.25
	NFD (EURm)	196	✓	c.300	c.500	c.500	c.500
Gamesa	Group						
	WC as % of sales	16%	✓	c.35% - 45%			
	NFD/EBITDA	0.6x	✓	<2.5 x	<2.5 x	<2 x	<2.5 x

(1) FY 2010 guidance does not include 244 MW delivered to Iberdrola in Q1
(2) Includes offshore investments: EUR 30 MM in 2011, EUR 60MM in 2013

Offshore development

After signing the strategic alliance with Northrop Grumman Shipbuilding in Q3 2010, the company inaugurated an offshore technology centre in Chesapeake (Virginia) in January 2011, staffed by 50 engineers from both companies. This team will oversee the design and development of the G11X-5.0 MW platform and will assess its prototype, with a view to installing the first of the two prototypes in the second half of 2012.

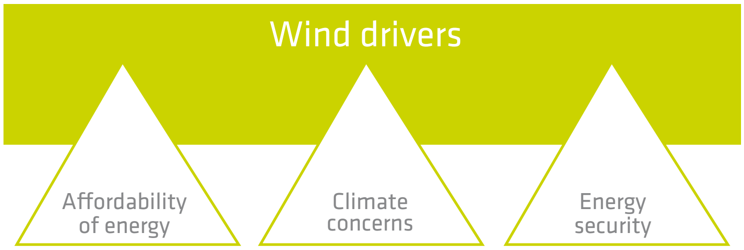
Gamesa is currently considering locations for its centres for engineering (Glasgow) and logistics and O&M (Dundee), as part of the company's offshore development plan in the UK (€ 150 million over the next 4 years). The two centres would represent capital expenditure in Scotland of close to € 50 million[17] in the coming years and create 300 jobs. Gamesa is also considering several other locations in the East coast of Great Britain as potential sites for its manufacturing facilities and consolidation of components and for project and service ports subject to the commercial development of projects in the area.

Gamesa requested that the Catalan Institute for Energy Research (IREC) set aside four positions for it to install its wind turbines in the ZÈFIR Test Station offshore wind-testing plant. Gamesa aims to install two fixed platforms (3.5 km from the coast) and two floating platforms (8 km) in the ZÈFIR experimental centre off the coast of Tarragona (Spain).

Growth outlook in the wind-energy sector

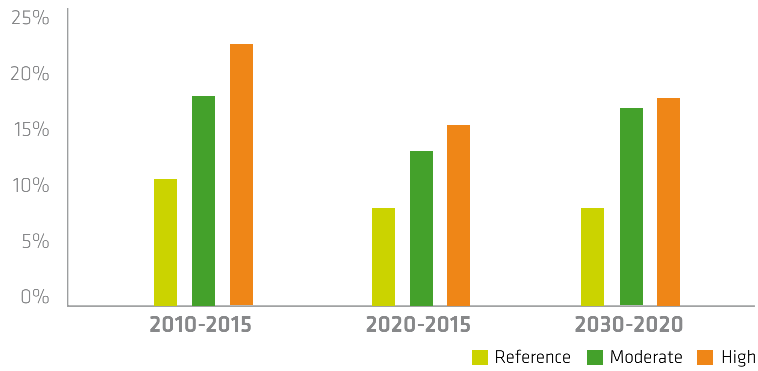
The financial crisis and its impact on demand in 2009, together with the persistent weak macroeconomic scenario, negatively impacted wind-energy development, which declined for the first time in 20 years, according to data from the Global Wind Energy Council (from 38.6 GW installed in 2009 to 35.8 GW installed in 2010, i.e. a decline of 7%). This decline was primarily concentrated in the US (50% lower than the 2009 figure), which was affected by regulatory uncertainty and the lack of federal energy legislation, followed by Europe (-7%), where Italy and Spain were impacted by severe regulatory volatility during Q2 2010.

However, this temporary or short-term contraction does not change the industry's long-term growth fundamentals. The need to guarantee energy independence, in terms of both supply and price, and to combat or slow the impact of climate change, ensures that the commitment to renewable energy is necessary and irrevocable.



Although the pace of recovery in the short term may be affected by the economic recovery and the approval of long-term stable legal frameworks in the US, Spain and Italy, a return to growth is already visible, evidenced by the pace of orders in the second half of the year (1,996 MW) and sales coverage at the beginning of 2011 (48%).

[17] Included in the € 150 million capex plan



Source: GWEC 2010 Outlook

Conclusions

2010 was marked by a weak macroeconomic situation and regulatory uncertainty; however, Gamesa achieved its goals for the year and reported a net free cash flow of € 472 million, due to efficient management of operations and the balance sheet, enabling the company to undertake its 2011-2013 business plan from a solid financial and operating position.

The Wind-Turbine division reported sales of 2,405 MWe and an EBIT margin of 4.9% in 2010, both in line with guidance. Moreover, the strategy of aligning manufacturing with customer orders and with delivery schedules, strict control of working capital, and the recovery in orders during H2 2010 enabled the division to end the year with a negative working capital/sales ratio (-1%) and net cash of € 405 million. The gradual recovery in demand plus the company's successful commercial growth strategy (1,414 MWe in orders for delivery in 2011) enabled Gamesa to start the year with sales coverage of 48% of the guidance of 2,800-3,100 MWe.

Following the recovery of wind-farm development and sales, with the delivery of 593 MW in 2010, Gamesa Energía returned to profitability, ending the year with a positive net contribution to EBIT after obtaining € 10 million in EBIT during H2 2010.

Moreover, the company made notable progress with its product portfolio and the offshore strategy in 2010. Gamesa installed the second prototype of the G10X-4.5 MW, which already includes all of the final product's technological innovations, making this wind turbine a benchmark in terms of the cost of energy. It also commenced the commercialisation of the G97-2 MW, the first product in a new 2 MW family for low and medium winds which considerably improves on the efficiency of previous models.

Gamesa took important steps in the offshore segment in 2010, signing a strategic agreement with Northrop Grumman and opening an offshore technology centre in Chesapeake (Virginia, USA). The agreement brings together expertise in multi-MW technology and offshore operations know-how to develop the first offshore prototype (G11XOFS-5 MW), which will be ready in H2 2012.

As a key achievement in the multi –MW segment we have to highlight the agreement with E.ON for the delivery of the first turbines G10X-4.5MW and the installation of the first G10XOFS-5MW prototype in 2011.

The recovery in demand continues to take shape gradually, but the pace of progress in the medium term will be conditional upon approval of stable regulatory frameworks in major markets such as the US, Spain and Italy. Because of this regulatory dependence, it is necessary to reduce the cost of energy, which is one of the vectors of the company's 2011-2013 business plan. The need to fight the effects of climate change and reduce our energy dependence in the long term is undeniable and guarantees the growth of the industry.

3. Main business risks

Gamesa Group is exposed to certain financial risks which it manages by way of grouping identification, measurement, limitation of concentration, and supervision systems. The management and limitation of financial risks is carried out in co-ordinated manner between Gamesa's Corporate Management and the business units in accordance with the policies approved at the highest executive level and in accordance with the established policy and procedural rules. The identification, evaluation, and hedging of financial risks is the responsibility of each one of the business units.

The risks associated with exposure to exchange-rate differences in Gamesa's transactions correspond to the sale and purchase of goods and services relating to our own activities in various different currencies.

In order to set off this risk, Gamesa has acquired hedging instruments from financial institutions.

4. Use of financial instruments

Gamesa Group uses financial hedging that allows it to mitigate the risks associated with exchange rates, interest rates, fluctuations in the prices of raw materials, and fluctuations in variable-return securities which could affect the company's forecast results based on estimates of expected transactions for its various activities

5. Subsequent events

No significant events have occurred subsequent to the closing date which are not included in the consolidated annual accounts.

6. Research & development

Technological development is established within a multi-annual framework which is defined in the annual Technological Development plan, which establishes activities and targets to be delivered during each year in question, and then a budget is assigned.

During 2010, the main increase under the "Research and development expenses" heading of the Intangible Fixed Assets at Gamesa Innovation and Technology, S.L. has been due to the development of new wind-turbine models and the optimization of the performance of its different components, totalling approximately 39,221 thousand euros (approximately 40,363 thousand euros during 2009).

7. Transactions with own shares

As at 31 December 2010, Gamesa holds a total of 3,267,749 treasury shares, which represents 1.33% of the Share Capital.

Their total value amounts to 34,188 thousand euros, with a unit value of 10.46 euros.

For a more detailed explanation, see Note 17 of the Consolidated Report (Note 10 of the individual Report).

8. Capital structure

CAPITAL STRUCTURE INCLUDING SECURITIES NOT TRADED ON A REGULATED EU MARKET, STATING, WHERE APPROPRIATE, THE VARIOUS CLASSES OF SHARES, AND FOR EACH CLASS OF SHARE, THOSE RIGHTS AND DUTIES CONFERRED BY THE PERCENTAGE OF SHARE CAPITAL REPRESENTED:

Pursuant to article 4 of the Gamesa Corporación Tecnológica, S.A. Corporate By-laws (in accordance with the wording thereof dated 19 July 2010 following the approval of the resolution of the Annual General Meeting of 28 May 2010), "the share capital is FORTY-ONE MILLION, SEVEN HUNDRED AND SEVENTY THOUSAND, SIX HUNDRED AND SIXTY-EIGHT EUROS, EIGHTY-

NINE EURO CENTS (41,770,668.89 EUROS), DIVIDED INTO TWO HUNDRED AND FORTY-FIVE MILLION, SEVEN HUNDRED AND NINE THOUSAND, EIGHT HUNDRED AND SEVENTEEN (245,709,817) shares represented by book entries with a par value of SEVENTEEN EURO CENTS (0.17 euros) each one, which make up one single class and series."

DIRECT OR INDIRECT SIGNIFICANT SHAREHOLDINGS

According to public information held by GAMESA CORPORACION TECNOLOGICA, S.A., the capital structure as at 31 December 2010 is as follows:

Name of shareholder	Number of direct votes held	Number of indirect votes held (*)	% of total voting rights
IBERDROLA, S.A.	48,106,512	0	19.579
NORGES BANK	7,605,895	0	3.095

(*) Through

Name of direct shareholders	Number of direct votes held	% of 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 on how voting rights may be exercised.

12.Shareholders agreements not included in by-laws

Gamesa Corporación Tecnológica, S.A. is not aware of the existence of any shareholders agreements not included in the by-laws.

13.Rules governing the appointment and replacement of the members of the board of directors and the amendment of the corporate by-laws

Pursuant to the provisions of article 17 of the GAMESA CORPORACIÓN TECNOLÓGICA, S.A. Corporate By-laws, the 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 By-laws.

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 juristic 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 the said representative personally".

Finally, article 19.5. ñ) 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, where Directors are members of the Appointments and Remuneration Committee, they shall be assessed by the said Committee in the same way, but shall refrain from participating in the deliberations and votes that affect them. The Chairman, the Deputy Chairmen, and where appropriate, the Secretary and the Deputy 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 the 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 of 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 at article 8.2 of these Regulations, which are incompatible with the status of independent Directors.

e) Where, for supervening reasons, they incur in any of the circumstances of disqualification or prohibition envisaged in the current regulations, the Corporate By-laws, or these Regulations.

f) Where they are charged with an alleged criminal offence, or are served with notice that they are to be tried for any of the offences 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 offence commenced by the regulatory authorities.

g) Upon reaching the age of 70. The Director in question shall cease to hold office as from the first session of the Board of Directors held after the Shareholders General Meeting approving the annual accounts for the financial year in which the Director is to reach the said age.

h) Where they should cease to hold the executive offices to which their appointment as Directors was linked..

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

j) Where their continued presence on the Board of Directors should jeopardize the interests of the Company, or where the reasons for which they were appointed should no longer exist.

k) 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 professional 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, without any requirements for reinforced majorities beyond those provided for at article 201 of the said legal text.

Article 6 of the Shareholders General Meeting Regulations expressly includes the amendment of the Corporate By-laws as being within the powers of this body.

14. Powers of the members of the board of directors, and in particular, those relating to the possibility of issuing or repurchasing shares

Powers of the members of the Board of Directors

The Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., at the session held on 8 October 2009, unanimously agreed, following a favourable report by the Appointments and Remuneration Committee, to appoint Mr. Jorge Calvet Spinatsch as 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. Calvet Spinatsch accepted his appointment at the same act.

Powers relating to the possibility of issuing or repurchasing shares

As at the date of the approval of this Report, the authorization granted by the Annual General Meeting held on 28 May 2010 remains in force, pursuant to which the Board of Directors has powers to acquire own shares. There follows below a verbatim transcription of the resolution approved by the said Meeting under item ten on 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 of the shares shall be their par value, and the maximum price may not exceed 10% of their quoted value 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 29 May 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 between Iberdrola Renovables, S.A. and Gamesa Eólica, S.L. Unipersonal executed in 2008 and novated with amendments on various dates, in the event that any company (other than Iberdrola, S.A. or a company within the Iberdrola group) should come to control 30% or more of Gamesa Corporación Tecnológica, S.A., or should appoint directors who, in addition to those already appointed, represent more than one half of the directors of Gamesa Corporación Tecnológica, S.A., or any other situation that entails control over or management of Gamesa Corporación Tecnológica, S.A., this shall entitle Iberdrola Renovables to treat this framework agreement as being discharged, with no liability of any kind arising between the parties as a result of this termination.

16. Agreements between the company and its management officers or employees providing for indemnities when said persons should resign or be unfairly dismissed, or should the employment relationship come to an end as a result of a takeover bid.

The Chairman and the Managing Director and some of the members of the Company's management team are contractually entitled to receive economic compensation in the event of the termination of their employment relationship for reasons attributable to the Company, and in some cases also in the event objective circumstances should arise, such as a change of control. The agreed economic compensation for said termination consists, in general terms, in the payment of the remuneration corresponding to a variety of periods, up to a maximum of three years, depending on their personal and professional circumstances and the time at which the agreement was executed.

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

Gamesa G10X-4.5 MW

Carlos Rodríguez-Quiroga Menéndez, with National Identity Card Number 276302 A, Secretary of the Board of Directors of "Gamesa Corporación with registered office in Zamudio (Vizcaya), at Parque Tecnológico de Bizkaia, edificio 222 with employer identification number A-01011253.

HEREBY CERTIFY:

That the text of the consolidated financial statements for 2010 of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. authorised for issue by the Board of Directors at its meeting held on 23 February 2011 is the content of the preceding 87 sheets of unstamped paper, on the obverse only, and the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements, for authentication purposes, bear my signature and that of the Chairman of the Board of Directors.

The directors listed below hereby so ratify by signing below, in conformity with Article 253 of the Spanish Limited Liability Companies Law.

D. Jorge Calvet Spinatsch
Chairman

D. Juan Luis Arregui Ciarsolo
Deputy Chairman

Doña Benita Ferrero-Waldner
Director

D. Luis Lada Díaz
Director

D. Carlos Fernández-Lerga Garralda
Director

Iberdrola, S.A.
(D. José Miguel Alcolea Cantos)
Director

D. Carlos Rodríguez-Quiroga Menéndez
Director

D. José María Vázquez Egusquiza
Director

D. Pedro Velasco Gómez
Director

Madrid, 23 February 2011 In witness whereof
Approval of the Chairman

D. Jorge Calvet Spinatsch
Chairman

D. Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors

Gamesa production plant in China

Sustainability


AINABILITY

Sustainability

The wind sector has experienced a rapid change in recent years, which will affect the interests of the various stakeholders and how the market players respond.

Main stakeholder concerns to which the company responded:

Investors

- Regulatory uncertainty and prolongation of the economic and financial crisis
- Medium/long term growth for onshore in emerging markets, and an offshore boom, starting 2014/15, mainly in the North Sea
- The cost of energy of onshore wind is converging on that of conventional energy, while wind is gaining acceptance as an established technology in key markets

Customers

- Steady recovery in demand in the medium term
- Tendency of professional operators (utilities and IPPs) to look for wind turbine manufactures that can be relied upon as long-term partners who provide know-how throughout the value chain
- Internationalisation of wind energy requires worldwide support from the manufacturer
- O&M, returns and availability over the life of the farm

Competition

- Large industrial groups are gaining market share at the expense of the pioneers
- Small and local operators are losing market share
- Western operators' technology differentiation
- The number of players is shrinking, particularly in emerging markets (low cost)

Supply chain

- Suppliers demand a sustained relationship and proper compensation for their products and services
- Globalisation and the complexity of logistics due to localisation/ manufacturing of components in certain countries raise concerns about improving control of CSR and the safety of all parties in the supply chain
- Impact of interest rates and commodity prices

Employees

- Talent management and maintaining employability Opportunity for sustainable employment
- Working conditions exceed market standards in terms of salary, job satisfaction, security and career prospects

Environment

- Worldwide commitment: Address climate change by reducing CO_2
- Emissions pressure from international agreements to prevent or mitigate climate change risks
- Copenhagen Accord: developed countries will finance the development of renewable energy sources in developing countries
- European Union 20/20/20 targets
- United States: incentives such as production tax credits (PTC), investment tax credits (ITC), and Treasury Grants
- China: Five-year plan that may raise the initial 15% target for renewable capacity in 2020

Society

- Pressure on natural resources and energy sources due to increasing population and expectations of a continuous improvement in living standards
- Access to electricity, stable production at reasonable prices, and security of supply
- Rapid and profound changes in society, and difficulty understanding and digesting change

In spite of these factors, fundamentals still favour growth of wind power owing to its positive contributions:

- minimize climate change by reducing CO_2
- emissions reduce fossil fuel dependency, provide customers with affordable secure energy at a competitive cost (CoE), and increase price stability
- provide countries with energy independence
- generate wealth and employment
- provide income to local economies by developing local suppliers
- introduce technology to the market.

The world electricity shortfall is in itself an opportunity for the wind sector.

As a primary player in the wind sector, Gamesa contributes with a dual focus on improving its global and local footprint:

Dual focus on sustainability	PRODUCTS	Managing products with advanced technology, offering sustainable and highly competitive products and services, by integrating eco-design and product safety from the early phases of development
	COMPANY	The company is managed in an honest, transparent and globally sustainable manner, and it is continuously optimising the economic, social, and environmental cycle. Gamesa has solid, sustainable finances, and a healthy balance sheet enables it to seize opportunities for future growth
+		
Mission, Values and Attitudes for success	Everlasting Energy Everywhere	Satisfy the world's growing energy needs with renewable energy that does not produce direct CO_2 emissions
	Teamwork – Innovation – Excellence – Respect - Sustainability	Introduce new technologies to the market and provide mature technology that is in demand worldwide
	Leadership – Global company – Passionate about customers	Introduce new technologies to the market and provide mature technology that is in demand worldwide
Strategic Objectives	Cost of Energy	Help customers generate more energy with fewer resources
	Growth	Create wealth in local economies and develop local suppliers while internationalising new markets, and acquiring new customers
	Efficiency	Continually optimize safe, reliable, environmentally friendly processes and generate good quality sustainable jobs

IMPROVING THE GLOBAL AND LOCAL FOOTPRINT

Impact of Gamesa's activity on sustainability

Economic impact

Gamesa is a company with more than 15 years of profitable experience in the technology sector and wind industry. It is a world leader in the design, manufacture, installation and maintenance of wind turbines and creates added value in excess of costs in order to compensate shareholders and meet the needs and requirements of customers, shareholders, suppliers, employees, and the communities where it operates.

Environmental impact

Gamesa develops and globally markets sustainable products and services through environmentally friendly processes and activities:

- All the company's facilities have advanced, ISO 14001 certified environmental management systems and programmes to constantly minimise the environmental impact, reducing consumption of raw materials and energy, and waste and emissions production
- The systems are currently being adapted to even more rigorous environmental protection requirements in accordance with the EMAS standard
- Efficient energy use in the plants; one of them (Lerma, in Burgos) is certified to ISO 16001 for energy efficiency
- Close to 21,000 MW installed, equivalent to avoiding 31 million tons of CO_2/year
- Progress in implementing eco-design in G10X-4.5 MW platform in accordance with the UNE 150301 standard, the goal being to attain certification in 2011
- Application of Life Cycle Analysis (LCA) and various standards for integrating product safety
- Gamesa encourages its suppliers to adopt commitments to respect the environment and promotes projects that enable them to advance towards ISO 14001 environmental certification.

Social impact

Gamesa is aligned with the main international business ethics codes.

- Commitment to human rights and the environment
- Major efforts put into management and dialogue with employees in order to maintain employment in the face of the economic crisis
- Direct and indirect creation of employment through development of a worldwide base of suppliers that expand internationally with Gamesa
- Knowledge management, training and equality plans
- The highest standards for occupational health and safety (OHSAS 18001) and a significant reduction in occupational accident indexes
- Included in the main international sustainability indexes.

Main stakeholder concerns to which the company responded in 2010

Climate change

- Development of specific policies and strategies for fighting climate change
- Identification of financial, regulatory and operational risks associated with climate change
- Inclusion of climate change as an environmental element in product design
- Publication of the historical trend of CO_2 emissions (Scope 1; indirect emissions under Scope 2)
- Publication of CO_2 intensity indicators
- Objectives for GHG emissions reduction and progress with compliance
- Evaluation of GHG emissions in the supply chain (Scope 3)
- Promotion of best practices with regard to climate change among suppliers
- Support of and commitment to public initiatives in the fight against climate change

Environment and biodiversity

- Identification and management of environmental risks and impact
- Environmental and energy efficiency in company activities
- Analysis of the environmental impact of product life cycles

- Internal awareness raising and communication regarding environmental issues
- Promotion of best practices for environmental management in the supply chain
- Biodiversity conservation policy
- Risk map, identification of operations in sensitive areas
- Adoption and public support of international standards regarding biodiversity (e.g. Convention on Biological Diversity)
- Species monitoring programmes (impact on ecosystems)

Communities and social investment

- Policies for the recovery and restoration of damaged ecosystems
- Policies and management systems for community relations
- Identification and management of the social impact of company projects
- Policy of contributing to local development through social investment programmes
- Promote technology transfer with developing countries
- Increase social acceptance by raising awareness of the benefits of wind power
- Promote corporate volunteers

Ethics and Integrity

- Public commitment to business ethics
- Adoption of international ethics and integrity initiatives
- Development of codes of conduct and compliance systems
- Reporting regarding degree of compliance with the codeDisclosure of significant cases of non-compliance
- Implementation of robust policies against bribery and corruption
- Commitment to transparency in commercial relationships and with public administrations
- Disclosure of corporate practices with respect to political contributions and application of principles of good governance to lobbying practices
- Employee training and awareness-raising regarding issues of business ethics

Human Rights

- Formal policies regarding human rights issues in line with leading international standards
- Mechanisms for evaluating and managing risk associated with infringement of human rights (identification, evaluation, communication channels, research)
- Development of risk maps following standards of reference
- Definition of indicators for monitoring compliance and reporting performance
- Promotion of practices among employees that respect human rights
- Promotion of human rights in areas where the company has influence, especially among partners and suppliers
- Active participation and collaboration with governments and NGOs regarding human rights

Corporate governance

- Formal policies of corporate governance in accordance with international standards
- Commitment to the independence and diversity of the Board of Directors
- Director compensation linked to achieving ESG objectives
- Evaluation of director performance
- Board of Directors Sustainability Committee
- Inclusion of ESG know-how in the Investor Relations Department

People

- Human resources policy based on leading international standards (e.g. ILO)
- Policy of diversity, inclusion and equal opportunities
- Commitment to job stability
- Professional development based on competencies
- Talent attraction and retention policy
- Compensation based on merit (performance evaluation systems).
- Inclusion of external perception metrics (risk of reputation loss, client satisfaction, stakeholder feedback, and environmental metrics for reduction of corporate emissions) as well as variable compensation indicators for senior management
- Commitment to freedom of association, especially in countries where it is denied by law

Health and Safety

- Health and safety policies
- Identification, evaluation and mitigation of risk in the area of occupational health and safety
- Appropriate mental and physical healthcare (adopt measures for controlling stress, implement flex-time system, provide psychological help, etc.)
- Training and awareness-raising about workplace safety
- Employee and contractor accident indicators
- Absenteeism indicators
- Objectives for reducing occupational accidents and degree of progress

Mission and values

Gamesa has a unique business model that creates value for its shareholders, employees, suppliers, customers and the communities where it operates. At the same time it endeavours to respect, improve, and conserve the environment.

In 2010, the company defined a new mission statement—*Everlasting Energy Everywhere*—based on the following values and behaviours:

- Teamwork. We believe that the whole is greater than the sum of its parts. We use teamwork to collaborate in everything we do, sharing challenges and developing solutions together. We take responsibility, provide mutual support, and ensure that we recognise and consider the abilities we have throughout the world
- Innovation. We make an effort to achieve new goals. We are always seeking new and creative ways to meet our customers' challenges. We are among the renewable energy sector's leaders and we make a real effort to maintain our advanced position in new and dynamic technologies. In order to maintain leadership, we are constantly adapting. We are flexible and agile in meeting new challenges
- Excellence. Everything we do is exceptional. We aspire to the highest quality, efficiency and productivity standards when designing our products, services and solutions. We are committed to doing things right the first time and to take ownership of each challenge, without regard to the demands that will be required
- Respect. We value the contributions of each one of us and respect our differences. We behave fairly, transparently and honestly in all interactions in order to build trust in our relationships. We are concerned about and support each other, respecting our differences and valuing what we can learn from one another
- Sustainability. We satisfy today's needs without compromising the future. We consider the short-, medium-, and long-term results in everything we do, whether for our people, our customers, our investors, or our planet.

On the basis of three attitudes for success:

- Leadership. We see ourselves as leaders in our industry and aspire to be the best in the long term. We invest in talent at a worldwide level in order to nurture our future leaders and maintain our success
- Global company: We search out opportunities and make decisions for the benefit of our company as a whole, not for its specific parts. We prosper from interdependence and combine abilities and knowledge throughout all of Gamesa. We work together closely and collaborate between functions and countries
- Passion for the customer. We are passionate about building long-term relationships with our customers, where we create mutual value and share knowledge. We work with them and make every effort to solve problems.

Gamesa has a unique business model that creates value for its shareholders, employees, suppliers, customers and the communities where it operates.
At the same time it endeavours to respect, improve, and conserve the environment.

Voluntary commitments in the area of sustainability

Gamesa worldwide assumes voluntary commitments in the areas of sustainability, climate change, and defence of fundamental human rights and freedoms, including the United Nations Global Compact, Global Reporting Initiative, *Caring for Climate Statement: The Business Leadership Platform*, *Apollo Alliance*, signature of the Cancun, Copenhagen and Poznan Communiqués on climate change, the University of Cambridge Program for Industry and the Price of Wales's Corporate Leaders' Group on Climate Change, Carbon Disclosure Project, Fundación Entorno-Consejo Empresarial Español para el Desarrollo Sostenible, and expressing support for UNIFEM's Women's Empowerment Principles and the Global Compact.

Ethics and Corporate Governance

One of Gamesa's corporate responsibility principles is to support and defend corporate governance based on transparency and on mutual trust with shareholders and investors, while rejecting all forms of corruption and respecting the rules of fair play.

Gamesa aspires to continuously improve corporate governance. This concern is set out in article 45.1, 45.2 and 45.3 of the Board of Directors Regulations: "The Board of Directors, aware of the responsibilities corresponding to a Company with respect to society as a whole, is committed to assuring that its activity is carried out in accordance with a set of values, principles, criteria and attitudes aimed at achieving sustained creation of value for their shareholders, employees, customers and for society at large".

Gamesa's governance structure rests on two bodies: the Shareholders' Meeting and the Board of Directors.

Gamesa makes considerable efforts to facilitate informed participation by shareholders in the General Meeting by means of a number of measures, including:

- all shareholders of record five (5) days prior to the date scheduled for the General Meeting are entitled to attend the Meeting;
- shareholders representing at least five percent of the share capital may request the publication of a supplement to the notice of the General Meeting of Shareholders, including one or more points of the agenda;
- shareholders may exercise their right to vote and grant proxy on the items on the agenda of the General Meeting of Shareholders via means of distance of communication before the meeting;
- once a General Meeting has been announced, shareholders may obtain, immediately and free of charge, the documents to be submitted to the General Meeting for approval; those documents will also be published on the company's website;
- before issuing the announcement of the General Meeting of Shareholders, Gamesa circulates all the necessary documentation for the Meeting to the Stock Exchange Management Companies and to the National Securities Market Commission;
- Gamesa organises an Electronic Shareholder Forum to facilitate communication between shareholders.

In 2010, 56% of the capital participated actively in the General Meeting.

The Board of Directors

The Board of Directors is the company's highest decision-making and oversight body. Its mission is to promote the Company's interests, to manage the business and to run the corporate administration. The Board must take the necessary measures to ensure that no shareholder receives privileged treatment.

The Board of Directors has adopted policies on the following issues: Corporate Governance, Corporate Social Responsibility, Dividends, Treasury Stock, Investment and Financing, and Control and Management of Risks and Opportunities.

The Board of Directors of Gamesa has two special committees for specific areas with powers to provide information, advice, proposals, oversight and control: the Audit and Compliance Committee and the Appointment and Remuneration Committee.

Gamesa Board of Directors

Calvet, Jorge	Chairman and CEO	Executive
Arregui, Juan Luis	Deputy Chairman	Other external
Fernández-Lerga, Carlos	Lead Independent Director	Independent
Rodríguez-Quiroga, Carlos	Director and Secretary to the Board	Executive
Aracama, José Mª [1]	Director	Independent
Vázquez, José María	Director	Independent
Velasco, Pedro	Director	Proprietary
Iberdrola, S.A., representada por José Miguel Alcolea	Director	Proprietary
Lada, Luis	Director	Independent
Ferrero-Waldner, Benita	Director	Other external

1. José Mª Aracama took the place of Santiago Bergareche, an independent director, who resigned as a member of the Board of Directors and the Appointments and Remuneration Committee on 11 February 2011 for personal reasons.

Another set of internal rules that applies to the Board of Directors is the Rules of Procedure in Securities Markets.

Gamesa's Board of Directors complies with the principle of diversity and comprises specialised professionals of acknowledged prestige. Its members also have know-how and experience in the area of corporate responsibility. External directors, including independent directors, outnumber executive directors.

Based on a report by the Appointment and Remuneration Committee, the Board of Directors proposes the appointment, reappointment and removal of directors, and submits that proposal to the General Meeting of Shareholders. The Board of Directors devotes at least one meeting per year to assessing the quality and efficiency of its own operation, the performance of the Chairman and Managing Director, and the working of the Committees.

The company's Chairman is Jorge Calvet. He is also CEO and, accordingly, holds the position of first executive. Gamesa has taken various measures to reduce any risks arising from concentrating power in a single person.

Remuneration for directors consists of a single fixed annual compensation whose amount is determined as a function of his/her position and the Committees of which he/she is a member, plus per diems for attending meetings of the Board and any committees.

The remuneration of the Chairman and CEO comprises fixed compensation (determined with the participation of an external consultant to ensure that it is in line with market rates) and variable compensation linked to the company's results (measured using financial indicators, competitiveness factor and group objectives defined beforehand by the Board, at the proposal of the Nomination and Remuneration Committee).

Audit and Compliance Committee

Vázquez, José María	Chairman	External Independent
Velasco, Pedro	Member	External Proprietary
Lada, Luis	Member	External Independent
Rodríguez-Quiroga, Carlos	Secretary (Non-Member)	Executive

Appointment and Remuneration Committee

Fernández-Lerga, Carlos	Chairman	External Independent
Arregui, Juan Luis	Member	Other External Directors
Aracama, José Mª	Member	External Independent
Rodríguez-Quiroga, Carlos	Secretary (Non-Member)	Executive

Gamesa has a Long-Term Incentive Programme under which shares are granted to executive directors, senior executives, executives and employees of Gamesa and subsidiaries, linked to the achievement of certain objectives relating to the Business Plan 2009-2011.

In 2009, Gamesa adopted a specific set of rules in the Code of Conduct to prevent conflicts of interest, corruption and bribery.

In 2010, it established and implemented a specific Global Compliance function under the Compliance Unit to facilitate oversight of compliance with legal requirements: mercantile-civil, wind business, customs, competition, intellectual and industrial property, labour, health and safety, environment, transport, products and materials, securities market, data protection, and equity, taxation and accounting. The Compliance Unit appears before the Audit and Compliance Committee twice per year to report on the degree of adherence to, and any actions with respect to, the Code of Conduct and the Rules of Procedure in Securities Markets.

Human Rights

Respect for human rights and public freedoms constitute one of the standards of conduct that must be observed by persons subject to the Gamesa Code of Conduct. Consequently, it is committed to respecting minimum international standards for protection of the fundamental rights and liberties of people affected by its operations and, specifically, the United Nations Standards regarding responsibilities of transnational companies and other commercial companies in the sphere of Human Rights, the Guidelines of the OECD, and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labour Organisation.

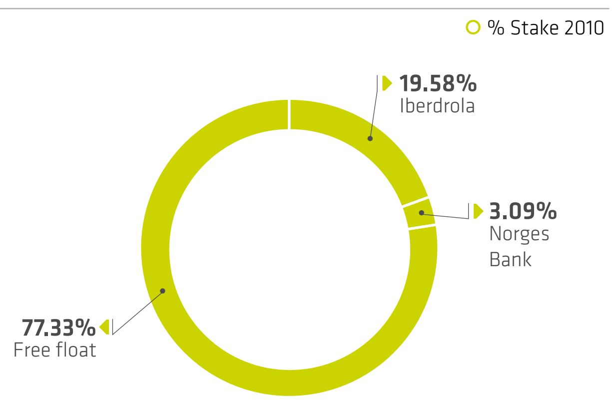
The company is committed to eliminating any kind of forced or obligatory labour, eradicating child labour and indentured labour, and eliminating any other type of coercive work.

It has also established the principle of complying with the prevailing law in the countries where it operates. Additionally, conduct which, though not in violation of prevailing law in a country where Gamesa operates, goes against the values, principles or ethical behaviour established in the Code of Conduct is to be avoided.

There is also a commitment to equal opportunities and the development of an appropriate policy of personal and professional training for employees. The same code also provides rules of conduct related to the promotion and defence of human rights.

The percentage of company employees specifically trained on the policies and procedures related to the issue of human rights relevant to their activity amounted to 50.6% in 2010. Additionally, all of Gamesa's employees have received continuing and specific training with regards to the standards included in the Code of Conduct.

Main shareholders



Gamesa's blade production plant

Shareholders and Investors

Gamesa devotes particular attention to shareholders, who support its business project, and its priorities include maximising shareholder value as well as attaining a high level of transparency and participation to enhance trust on the part of shareholders and investors.

Gamesa's commitment vis-à-vis its shareholders and the financial community is to provide transparent and timely indications at all times by providing clear, complete, truthful, uniform and simultaneous information that makes it possible to assess the group's performance and financial results.

The company is regularly in contact with shareholders, investors and equities analysts registered in its database. The main means of communication are the corporate website and direct relations with the Investor Office and Shareholder Office.

Main actions in 2010

- The corporate website has a specific area for investors and shareholders: it received 430,000 visits in 2010 (a 23% increase on 2009)
- Presentation of results and strategies: followed by 900 people
- Seminar on wind farm development and sale: followed by 178 people
- Presentation of the 2011-2013 Business Plan followed by 921 people
- Shareholder Information Office: dealt with 500 calls
- A total of 140 meetings were held in the main financial centres: Madrid, Barcelona, London, Tokyo, Frankfurt, Geneva, Zurich, New York, Boston and San Francisco
- General Shareholders' Meeting: attended by 56% of share capital. Followed by 125 people
- Shareholder Services mail box: 1,300 inquiries (44% increase with respect to 2009)
- Mailing of documentation by post
- Ongoing contact with 35 research firms
- The company also participates actively in industry forums and conferences organised by research firms, and in wind industry fairs.

Sustainability indexes

Gamesa's strategy and progress in the area of sustainability are assessed each year by the leading prestigious sustainability indices.

For the fourth consecutive year, Gamesa remained in the Dow Jones Sustainability Indexes; in 2010, it was ranked as global leader of renewable energy equipment in that index.

	2010
Dow Jones Sustainability Index-World	✔
Dow Jones Sustainability Index-Europe	✔
FTSE4Good	✔
Ethibel Excellence Europe	✔
Global Challenges Index	✔
CleanTech Index (CTIUS)	✔
Sustainable Business 20 (SB 20)	✔

Gamesa's production plant

Customers

Gamesa's main products include a wide range of wind turbines developed to offer the best features depending on the type of location.

The company has in-house wind turbine design and technology development capacity. It is vertically integrated and includes manufacturing of blades and blade moulds, blade root joints, gearboxes, generators, converters, and towers. It also assembles wind turbines and ensures planning and oversight of product design and development as well as operation and maintenance services.

From the perspective of customer health and safety, Gamesa defines steps and reviews, verifies and validates each step in the design and development. It also assigns responsibilities and authorities. It manages the interfaces between different groups involved, ensuring efficient communication and a clear assignment of responsibilities.

Inputs related to product requirements include: functional and performance requirements, applicable legal and regulatory requirements, information from previous similar designs, client specifications and recyclability as well other essential design and development requirements.

Customer Satisfaction Project

A distinctive feature of Gamesa is its flexibility to offer innovative technologies, products, services and ideas that improve its customers' competitiveness. Gamesa's relationship with its customers is based on providing a full response to their technology requirements and fulfilling their needs and suggestions. The company has a Customer Satisfaction Project (CSP) that enables it to ascertain customer perceptions of the company and its products and services based on aspects of the project development, construction and operation phases. The CSP is conducted every two years.

The 2010 edition of the CSP achieved 92% participation by customers (expressed as a % of MW sold) in 6 different countries; the general level of satisfaction with the company was found to be 100% as compared with 85% in the previous edition.

The results show a high level of satisfaction in the development and construction phase, and optimal satisfaction in the operation phase. No customers expressed dissatisfaction with any phase.

Gamesa's actions vis-à-vis customers in 2010 include notably the following:

- Presence in industry forums and conferences: EWEC, ICCI, EOLICA EXPO, *Brazil Windpower, RE Power, Wind and Solar Power Industry & Electric Power Industry Exposition, The 5th Northeast Asia Investment and Trade Expo, Eolica Expo Mediterranean, VIND 2010, China Windpower, HUSUM WindEnergy, DIREC 2010, Renewable UK 2010, Renexpo® and EFEF*
- Gamesa G9X and Gamesa G10X seminars, in Ankara and Istanbul (Turkey)
- Exclusive portal for operation and maintenance service customers: These include reports on the client's wind farms that are operated and maintained by Gamesa: technical, maintenance, availability, contractual, etc.
- Access to all wind farm management tools: GIC (work performed on the wind turbine), SCPE (real time status for each wind turbine), WebMEGA (weather forecasts), technical documentation, etc.

Conclusions of the CSP 2010

Phase	Assessment	Aspect	Strengths and weaknesses
Development	Highly satisfied	Positive assessment	Commercial credibility and fulfilment of commitments
			Delivery terms offered
		Area for improvement	Product ROI
Construction	Highly satisfied	Positive assessment	Fulfilment of delivery periods ex-works
			Level of safety and compliance with safety protocols
			Project management quality
		Area for improvement	Compliance with provisional acceptance sign-offs (CAP)
Operation	Satisfaction	Positive assessment	Contract term (warranty and maintenance)
			Availability of the Gamesa G5X-850 kW platform
			Training quality
		Area for improvement	Availability of the G8X-2.0 MW
			Quality of operations work
Gamesa as a company	Highly satisfied	Positive assessment	Commitment to the community
			Agreements that create value for both parties
		Area for improvement	Technology and innovation

- WebMEGA System, an integrated wind farm management tool (providing 7-day hour-by-hour forecasts of wind and electricity output) that mitigates risks (economic and labour) from weather changes
- Training offering: certified courses and seminars on wind technology and safety
- Online catalogue of all Gamesa products and services and spare parts in 3D.

Other projects

- Life Cycle Assessment (LCA). Work continued in 2010 on the project entitled “ECOWIND: Life Cycle Analysis and Application of the Eco-Design Concept to an Onshore 2.0 MW Wind Turbine”. Through this project, Gamesa is the first Spanish company engaged in the design, development, manufacturing, maintenance and construction of wind turbines and wind farms to conduct a wind turbine life cycle assessment (LCA). LCA is primarily a tool that will improve the environmental impact of the production process and the product itself
- Operation and maintenance: work continued to review and update the content, structure and format of both corrective and preventive maintenance tasks for the Gamesa G8X-2.0 MW platform and the new Gamesa G10X-4.5 MW platform. By year-end, approximately 60% of all maintenance tasks corresponding to the Gamesa G8X-2.0 MW and 100% of those corresponding to the Gamesa G10X-4.5 MW had been updated and reviewed
- Environmental requirements built into the design of the G10X-4.5 MW, G11X-5.0 MW and G97-2.0 MW: environmental assessment criteria covering all stages of a wind turbine life cycle were defined within a process called SC2G (Spanish abbreviation for “Solution Conception System for Gamesa Customers”). This effort to input environmental requirements into the early design stages seeks to eliminate or reduce the magnitude of environmental impacts over the product life cycle. The input requirements are essentially eco-design criteria for products, processes and supportability
- Gamesa attaches particular importance to appropriate disclosure and labelling with regard to the impact of its products and services on sustainability. Given the nature of the equipment that company company sells, which is not sold to end consumers, warranties are based on the contract with the customer
- Packaging re-design. In 2009, new packaging was designed for gearboxes; following manufacture, validation and certification, the new packaging has begun to be implemented in logistics between plants. The initiative enabled the Asteasu plant to reduce timber waste by 70% in two years. Gamesa will continue to study packaging at its plants with a view to promoting reuse and reducing both material consumption and waste.

Employees

The company's human capital management model and its value proposition to its employees are based on respecting and complying with universally recognised international standards, relating generally to human rights and specifically to labour. The basic principles are included in Gamesa's Code of Conduct and Principles of Corporate Responsibility.

The company also promotes the equality of people. In 2010 it signed an Equality Plan with the CC.OO, UGT and ELA labour unions in Spain, as well as a Protocol for Avoidance of Sexual Harassment, Bullying and Mobbing. Gamesa in the United States also has its own standards of applications regarding these issues.

Gamesa's personnel selection processes are governed by the principles of equality, merit and capability. No candidate may be discriminated against for reasons of gender, age, race, religion, beliefs or opinions. All candidates are evaluated on the basis of purely professional requirements, guaranteeing evaluation of their knowledge, capacities, and abilities.

Gamesa has a Performance Evaluation Process which applies to 3,641 people in total (50% of the workforce); it comprises:

- The Gamesa Management by Objectives (GMBO) system, which makes it possible to translate company strategy, as defined in its annual Strategic Plans and Budgets, into action plans. Evaluation of the results of these objectives directly impacts Gamesa's annual variable remuneration system; and
- evaluation of Performance Factors enables us to measure the degree of alignment and performance of our personnel with respect to Gamesa's strategic competencies and corporate values.

The process impacts salary increases and also serves as a reference for defining training and professional development.

In the countries where it is established, Gamesa makes it a priority to seek and hire local talent. It also promotes internal mobility within the group, both locally and internationally, encouraging a global attitude and knowledge transfer.

A total of 772 internal transfers were arranged in 2010: 437 transverse moves, 294 promotions, and 41 international transfers.

Social indicators 2010

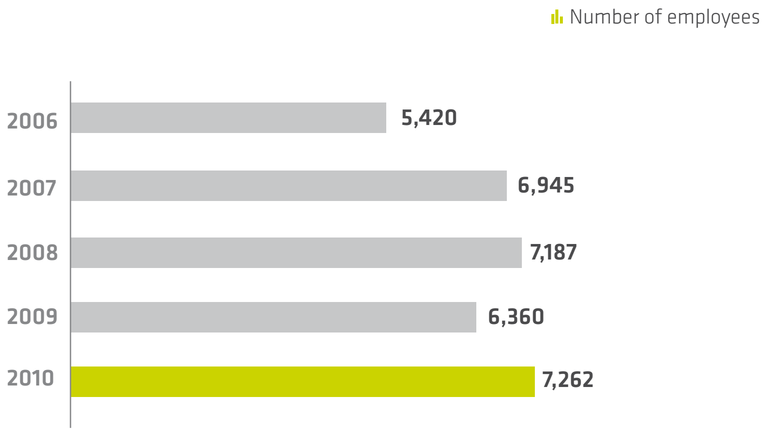
Workforce	7,262
% International workforce	36
% Women	24.5
% Permanently employed	87
Hours of training per employee	32.27

Remuneration and compensation policy

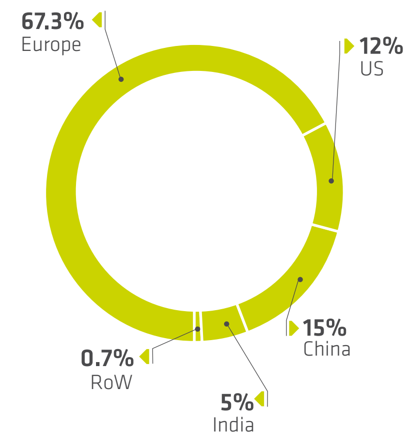
Gamesa's Remuneration and Compensation Policy is a key management tool for aligning the actions and behaviour of our people with the organisation's culture and objectives.

Rewarding people at Gamesa in order to attract, develop and motivate them requires a fair and competitive compensation strategy, one that provides an opportunity of total compensation to all, including an appropriate well-oriented combination

Gamesa workforce



Gamesa workforce 2010



of intrinsic and extrinsic rewards. It must contemplate all aspects of compensation and benefits that its employees may demand.

The compensation system ensures that Gamesa pays salaries which are fair and competitive. The ratio between the Company's standard starting salary and the local minimum wage (excluding groups covered by collective agreements) is 2 in Spain, 1.5 in the US and 4 in China. In India and Brazil, where the company has only recently established itself, salaries are set in line with the market and industry standards.

Gamesa's human capital management approach integrates equality, cultural diversity, non-discrimination, and equal opportunities. In keeping with this commitment, the basic salary ratio between men and women is 1:1 (taking as a reference the base salary, not including additional remuneration due to seniority, benefits, etc.).

Gamesa views benefits as instruments that offer protection and guarantee employees a standard of living, establishing different levels of coverage and different products as a function of professional category. Gamesa's benefit plan includes the following: preventive healthcare with regular check-ups; life insurance (for executives); Gamesa Flex flexible remuneration system; Gamesa Club offers; Plan Familia; company cafeterias at the main workplaces; and flex-time.

For employees in the United Kingdom, Gamesa manages a pension plan as required by law; contributions are made by the company based on salary; for executives in Spain, the company offers the opportunity for tax optimisation through employee contributions to a pension plan.

In the United States, employees may make contributions to a retirement plan invested in mutual funds of their choosing, with the corresponding tax advantages. In this case, the company matches 100% of the employee contribution up to 4% of the employee's salary. All employees in the United States have access to its medical and dental services, and life insurance: they pay 16% and Gamesa covers the other 84%. For other types of services, employees pay 24% and the company the other 76%.

Freedom of association and unionisation

Respect for and promotion of labour rights are enshrined in Gamesa's Code of Conduct and its principles of Corporate Social Responsibility: the right to freedom of association and collective bargaining. Gamesa is aware of the role played by trade unions, not just in negotiating labour conditions but also as strategic entities that have an important influence on the economic and social environment at national and transnational level.

It is standard practice to build positive relationships with the trade unions in the United States and Spain. In 2010, Gamesa signed its second collective agreement in the US and reached other important agreements with workers, such as the furlough agreements at four plants and a lay-off plan at another plant in Spain.

This process included a social plan to mitigate the impact of furloughs and lay-offs.

Over 150 job offers were made, enabling 84% of the workforce on furlough to gain valuable professional experience, some in other countries. Of the 150 workers laid off due to closure of the Alsasua plant, 71 were relocated inside the group and an agreement was reached with another company to give preference in hiring to 45 Alsasua workers.

Gamesa also signed over 50 replacement contracts in Spain, as the formula implemented in agreement with the social partners for work centres where the workforce was older (for workers aged 62 and over).

In China, the National Union encourages workers to establish their own unions; Gamesa management in China supports all initiatives in this direction and coordinates with the National Union in this regard.

Unionisation is a basic right of workers under Indian law. Gamesa in India firmly supports any measures oriented to the creation of a positive labour environment where there are no barriers between management and workers, encouraging all negotiation processes.

Employability

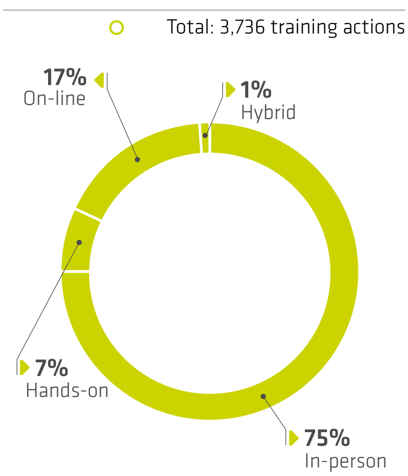
Another vector supporting Gamesa's value proposition to workers is employability: we offer professional development opportunities through training and professional experience as fundamental axes of the talent management cycle, managed via the Corporate University since 2010. The global scope of the Corporate University enables Gamesa to reach all regions where the company has offices and plants, as well as all of its businesses and activities, professional categories and knowledge areas. The University also extends to customers and suppliers.

Gamesa's Corporate University transcends the traditional concept of a corporate university that focuses on training. It is based on comprehensive management of the talent cycle, and its responsibilities include organisational functions, selection, evaluation, knowledge management, training, career development, and management of key groups.

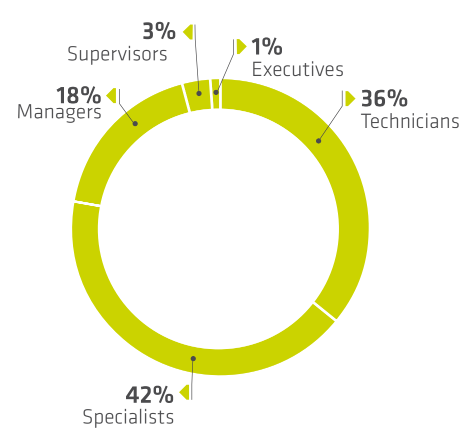
A total of 32.27 hours of training per employee were given in 2010. Gamesa offers an extensive range of training, involving 500 different course types in numerous fields, using a range of teaching methods, and with a specific scope for each identified training need. In 2010, 3,736 training actions were performed (75% in person, 17% on-line).

Hours training per employee

Training in 2010, by method



Training in 2010, by category



Integration of persons with disabilities

In 2010, Gamesa approved, signed and published its Equality Plan, which was agreed with the CCOO, UGT and ELA trade unions in July 2010. It also created a standing committee under the Protocol for Avoidance of Sexual Harassment, Bullying and Mobbing, which is applicable to the entire Gamesa group except in the US, where specific legislation applies.

Gamesa has also adopted the Women's Empowerment Principles, an initiative guided by the United Nations Development Fund for Women (UNIFEM) and the United Nations Global Compact (UNGC).

The company has also begun to work with the Once Foundation in 2011 through a programme to raise awareness about disabilities and hire people with disabilities to work at Gamesa. Job descriptions for persons with disabilities were introduced on a pilot basis in one of the blade plants during 2010. In addition, opportunities were identified for purchasing products from and outsourcing services to sheltered workshops via Fundosa.

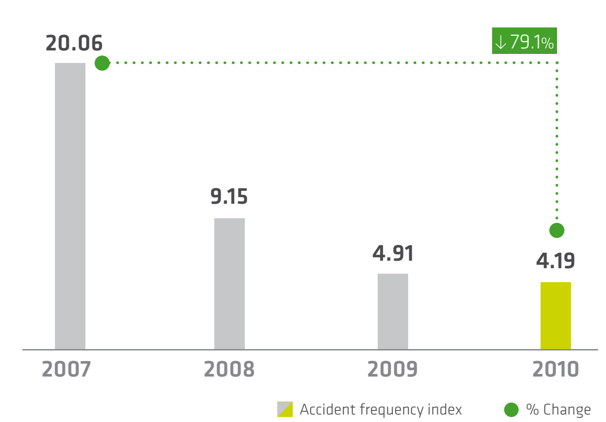
Health and Safety

The company has standardized systems (compliant with the PHS-1-010 standard and derivatives) and general criteria to guarantee that the health status of company personnel is monitored, establishing actions that make it possible to detect adverse effects of working conditions on health at an early stage; draw conclusions as to people's suitability for particular jobs; determine the need to apply or improve safety and protection measures; and identify workers that are particularly sensitive to certain risks. The accident rates declined notably in 2010.

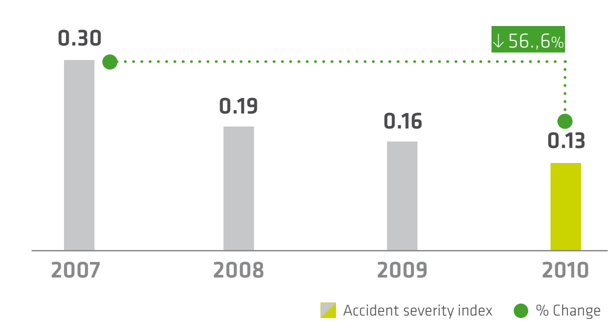
Internal communication

Actions in 2010 in communications with employees and responses to requests for information include most notably the following: 19 communications in connection with the Code of Conduct and WOW; 129 "Renueva" bulletins; "Renueva" mailbox: 107 messages (all of which were attended to); Gamesa Flex mailbox: 997 messages (all of which were attended to); Gamesa Club mailbox: 99 messages (all of which were attended to); Human Capital Management mailbox for dealing with general human capital management issues, GMBO processes, induction, etc.: 132 messages (all of which were attended to); Gamesa intranet: 77,438 visits in 2010, averaging 3 minutes 34 seconds; special microsite for World Excellence Day: 3,017 page views, average visit: 13 minutes. 676 PDF downloads. Managers Meetings: Gamesa Management Group GMG-2010; employee breakfasts with the Chairman; job bank on the intranet; suggestion box; induction procedures; and Code of Conduct Compliance Channel: 19 communications in 2010.

Accident frequency index



Accident severity index



Suppliers

Gamesa's strategy and policy in this area, as described in the 2011-2013 Business Plan, are oriented towards globalising procurements, without undermining product quality and ROI, by sourcing from global suppliers with a local presence, seeking new suppliers and encouraging existing suppliers to internationalise alongside Gamesa as it expands into other countries.

The commitment to localisation of procurements supports the development of capacity in areas where Gamesa has manufacturing plants; this contributes to technological and industrial development of local companies and generates wealth in those communities.

Localisation of the supply chain in India is proceeding on schedule: nacelles and towers in 2010, gearboxes and generators in 2011, and blades in 2012.

In other countries and Gamesa's target emerging markets, such as Brazil, the objective is to reach 60% of local content in 2012.

Indirect procurements (i.e. repair, upkeep and maintenance services, other general services, cleaning, telecommunications, etc.) amounted to 357 million euro, with 250 suppliers accounting for 80% of the total. Gamesa's General Procurement Conditions explicitly include provisions on respect for human rights and labour practices, as well as a strong stance against fraud and corruption. Gamesa is now working to ensure that these conditions are fully implemented throughout its supply chain. Suppliers are required:

- not to employ minors as defined in ILO Convention 138, either directly or indirectly.
- not to use forced or compulsory labour, not to impose punishments or use threats with their employees, and to avoid any kind of discrimination.
- to prevent any fraudulent activities on the part of their representatives, i.e. a refusal to accept sums of money from Gamesa or its group companies.

Degree of localisation 2010

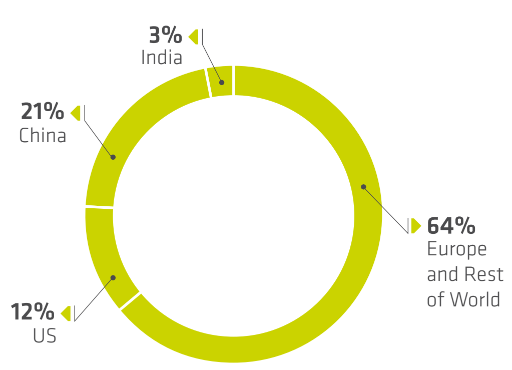
USA - G8X-2.0 MW	60%
China - G8X-2.0 MW	89%
China - G5X-850 kW	76%
India - G5X-850 kW	35%

The company is working on specific procedures to provide guarantees in this area; they are expected to be operational in 2011.

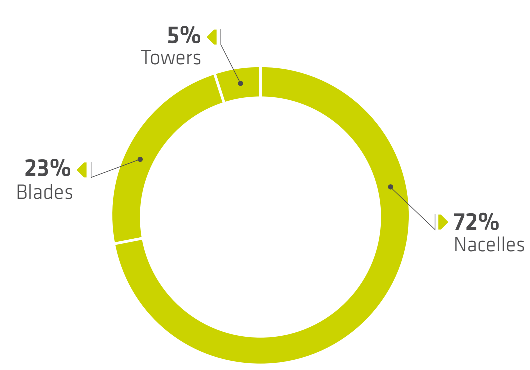
Notable actions by Gamesa vis-à-vis its supply chain in 2010 include:

- Presence in industry forums and conferences: Danish Wind Energy Association annual meeting, Faro Internacional-Intergune 2010, etc.
- Meetings with suppliers: "*Assembly: Gamesa and its suppliers creating a green future together*" and "*2010 Gamesa China Suppliers Day*". More than 50 one-on-one work sessions
- Supplier portal, for exchange of product technical documentation, quality documentation, and documentation for managing deliveries
- Gamesa web page: contains General Procurement Conditions and Quality Manual for suppliers.

Geographic breakdown of suppliers 2010



Breakdown of suppliers by business area 2010



Environment

Gamesa is fully committed to continuous improvement and collaboration in order to achieve sustainable development, by developing and applying best practices aimed at environmental protection, under a preventive approach, and by promoting information and training in this culture.

The Integrated Workplace Health and Safety, Environment and Quality Policy was revised in 2010. Gamesa has set complete satisfaction on the part of customers (both internal and external) as its objective in all processes, including design, manufacture, assembly, erection in the field, commissioning, and after-sales service. To achieve this, it has established a safe work environment, guarantees maximum respect for the environment throughout the life cycle of its products, and adheres to an advanced quality system.

Gamesa's road to excellence is based on the following pillars:

- Occupational health and safety for people is more than a priority—it is a value
- Commitment to responsible action regarding the health of both people and the environment. Aware of its interaction with its surroundings, the company is committed to complying with prevailing legal requirements on occupational health and safety, the environment, and energy efficiency, as well as any applicable product regulations
- Creation and distribution of wealth among shareholders, employees, suppliers, customers and the communities where it operates. This commitment aims to prevent any nonconformity at each step of the process and is carried out in way that is compatible with respect for, and improvement and preservation of, workplace health and safety, the environment, energy efficiency and quality of products and services, through a commitment to continuous improvement
- Sense of responsibility. Workplace health and safety, respect for the environment, energy efficiency, and quality requirements must be inherent to the organisation and form an integral part of each person and each activity, especially in the case of team leaders.

Gamesa has set the following environmental objectives for 2011:

- Continue the programme to reduce waste production with respect to 2010 levels
- Maintain the programme of energy efficiency and reduction of energy consumption with respect to 2010 levels
- Implement an EMAS-compliant Environmental Management System
- Obtain eco-design certification for the G10X-4.5 MW wind turbine based on the UNE 150301 standard
- Increase the number of suppliers that plan to attain ISO 14001 certification
- Audit supplier compliance with environmental requirements.

The company has an integrated management system (IMS) that includes environmental management in accordance with the ISO 14001 standard, quality management in accordance with ISO 9001, and health and safety management in accordance with OHSAS 18001. Practically 100% of Gamesa's worldwide production capacity is certified to these standards.

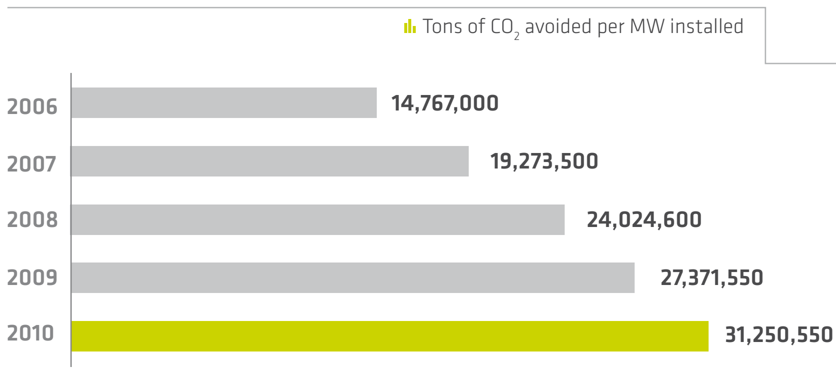
During 2010, Gamesa continued its certification process and obtained ISO 14001 certification of a new blade manufacturing plant in Aoiz, Navarra (Spain) and a nacelle assembly plant in Chennai, India. It also added efficient energy management to its goals, and attained EN 16001 certification of the Lerma (Burgos) gearbox plant.

Gamesa has established a system for identifying the environmental and energy aspects of its activities, products and services that it can control, and those it can influence within the defined scope of the Integrated Management System, taking account of new or planned projects, and new or modified activities, products and services.

The company has an ISO 14001:2004-compliant multi-site system which includes procedures for monitoring the company's indicators (IBE-1-003), as well as for analysis of the root cause of deviations, including nonconformities in the supply chain (PBE-1-008).

Gamesa plays an essential role in combating climate change. The close to 21,000 MW of capacity that it has installed avoid the emission of more than 31 million tonnes of CO_2 emissions per year. Gamesa contributes to the reduction of greenhouse gas (GHG) emissions and to the achievement of the Kyoto objectives; in short, it contributes to the creation

GHG emissions avoided



MW installed in the year	2,586
MW installed (cumulative)	20,834
GWh / year	52,084
tCO_2 avoided (cumulative)	31,250,550
tNO_x avoided (cumulative)	358,079
tSO_2 avoided (cumulative)	197,920
toe avoided (cumulative)	4,479,246

of a more sustainable future through mitigation of climate change.

Energy audits conducted by Gamesa's efficiency team in 2010 identified potential energy savings worth 320,814 euro by avoiding the use of 12,717 GJ/year, i.e. avoiding 1,557 tons of CO_2.

During 2010, 13 energy audits were conducted at external customers in a wide variety of industries. Potential savings were identified amounting to the equivalent of 6,893,494 kWh (electricity) and 37,024,403 kWh (thermal), as well as scope to reduce CO_2 emissions by 12,025 tons.

Further information on Gamesa's 2010 environmental indicators may be found in the Gamesa Sustainability Report 2010.

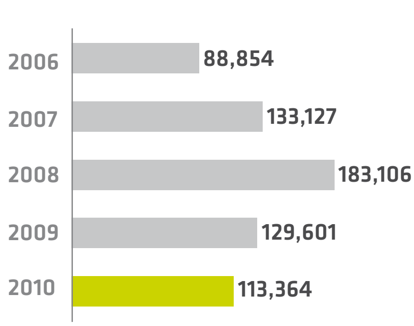
Biodiversity

Gamesa conducts an environmental impact survey for all its wind projects or undertakes internal oversight to ensure compliance with all requires of the law and its internal regulations.

The plan consists of the following specific steps:

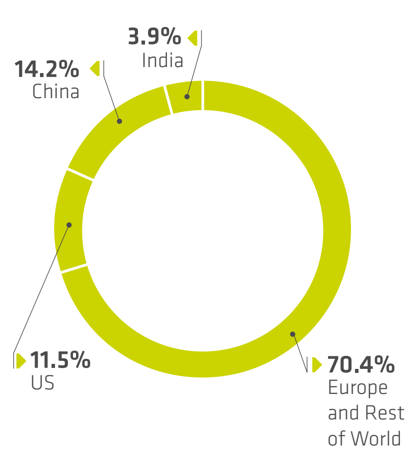
- Drafting of a study to avoid construction in critical vegetation zones, included as an annex to the Environmental Impact Study.
- Creation and installation of nesting areas for osprey and peregrine falcons in the Odiel river marshes in Huelva. (50,000 euro).
- Payment of environmental fee prior to construction (7,860 euro) and upon commissioning (8,691.93 euro) in Germany.

Raw material consumption (t)



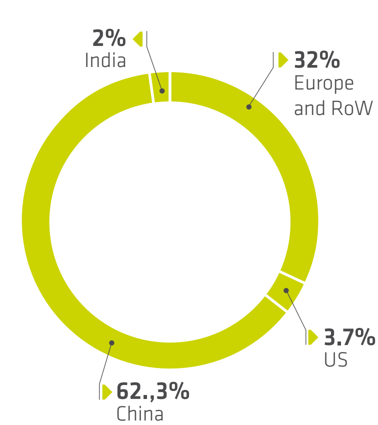
Raw material consumption 2010

By region



Water consumption 2010

Total 2010: 93,140m^3



Gamesa's wind turbine installed

Community

Gamesa wishes to contribute to improving living standards and creating wealth, through its own products and services and by promoting economic and social development through non-business channels.

Accordingly, its relationship strategy is built on the following principles:

- Sensitivity to social change in order to better understand how the needs of society in general evolve and, consequently, anticipate future demands
- A systematic free flow of truthful information about its activities to generate a climate of trust and credibility
- Respect for the environment, complying with prevailing law and collaborating to preserve and improve the environment
- Creation of employment by taking the lead in new competitive business developments
- Supporting the development of disadvantaged groups and sectors
- Contributing to raising the scientific and technological level of our society by supporting research and promoting the use of environmentally-friendly technologies and methods
- Collaborating with institutions as a platform for activity to improve and develop the community.

This sensitivity translates to activities for the development of the socio-economic environments in which the company operates, through community support projects and programmes.

The creation of sustainable employment, contributing to the development of local supply chains that enrich the local socio-economic fabric, and compliance with environmental regulations are some of the company's contributions to social development.

Gamesa influences the communities where it operates above and beyond its business operations, and this is extended into a long-term commitment.

In 2010, these activities were especially notable in India, where Gamesa launched initiatives in the areas of health, education, and care for the environment.

Actions in India

Training at school: With the collaboration of the local administration, the Theni Block department of education, parents, and Gamesa personnel, educational training is given to children between 1 and 8 years.	Theni, Tamil Nadu	Children from the Union Middle School in the town of Sthappukundu	Training in: writing, drawing, singing, speaking, art from waste, personal hygiene, English, and benefits of wind energy
Health Camp: Gamesa organized a camp with around 80 professionals with the objective of preventing and treating a range of diseases. Employees, suppliers, and volunteers collaborated.	Palladan, Tirupur District, Tamil Nadu	1,021 people from the town of Vadugapalayam and environs	Medical assistance: blood pressure, heart problems, diabetes, ophthalmology, urine tests, paediatrics, gynaecology, AIDS, etc.
Rehabilitation of a public park: With the help of Gamesa employees, a park of around 200 square meters was rehabilitated.	Chennai, Tamil Nadu	Local residents and school children	New green zones, play area for children, area for adults to stroll

In 2010 Gamesa allocated funds to implement projects of this type in 2011 in India (Tamil Nadu and Anantapur) and Brazil (Sao Paulo and Belem). These projects benefit from financing within the framework of the Caja de Ahorros de Navarra (CAN) programme “You choose, you decide.”

Other development aid projects organised by Gamesa

Construction of a centre for people with disabilities in Karattuputhur. The project is promoted by the City of Hope and Joy Foundation with the help of the Congregation of the Sisters of Saint Anne	Tamil Nadu. India	175 children and those who attend daily from surrounding villages	The centre will consist of: classes for children with mental and hearing disabilities, physical therapy room, bedrooms for children, reading room, reception, kitchen, dining room, bathrooms, rest area for personnel
Construction of a housing complex: Construction of 35 homes for Dalits (“untouchables”) to provide them with safe, decent housing. Promoted by the Vicente Ferrer Foundation	Andhra Pradesh. India	Dalit (“Untouchable”) families	Homes with the necessary conditions of health, hygiene and security, so as to enable the beneficiaries to live in dignity and be respected by the community, which will facilitate their integration into society
Caná Project – Shelter and Education Promoted by the Domingo Lázaro Marianist Educational Foundation with the help of other church institutions, this project provides shelter for children and young people from a favela, where about one thousand families live in extreme poverty.	Baurú, Sao Paulo. Brazil	Area children, young people and families	Education for children and young people, training for families, and coordination of the incipient neighbourhood movement
Integrated education for girls. This project, launched by the Fesmai Foundation, also contributes to one of the UN's objectives: universal primary education	Belém, Brazil	Girls from Belém	Integration and social and professional development for girls. Emotional stability

Additionally, Gamesa employees collected 61,512 euro for Haiti in 2010. Gamesa undertook to match its employees contributions, which amounted to 30,756 euro (from 447 employees in 11 countries). The funds were donated to UNICEF, which earmarked them for emergency activities in the areas in Haiti affected by the earthquake: supplies (water tanks, electricity generators, hygiene kits, water purification tablets, vaccines, etc.), repair of water and sewage networks, and creation of safe spaces for children.

Gamesa supports the 21st Eco-Entrepreneur programme in order encourage the creation of clean technology companies. The programme facilitates the creation and establishment of innovative companies in the area of renewable energies, energy efficiency, sustainable mobility, water cycle management, and energy from waste.

The company also signed on to support the the Cátedra 35 at the University of Zaragoza. The aim is to promote R&D of new sustainable technologies, favour coordination of research, training programmes, and new studies on the design of wind turbines, components and wind farms.

Awards and distinctions in 2010

- 2009/2010 European Business Awards for the Environment. Spanish section and Basque section. Category: Product and/or service for sustainable development (Gamesa G10X-4.5 MW)
- Randstad Awards 2011. Gamesa was recognised in two categories; for professional development and social/ environmental commitment
- Gamesa was the first Spanish company to certify its worldwide network of centres under the OHSAS 18001 standard with AENOR
- Gamesa received the Madrid Excelente award for its outstanding customer oriented management
- Gamesa was recognised as a leader in sustainable development by PwC and SAM *in the Sustainability Yearbook 2010*
- Award from Círculo de Empresarios and Wharton for Internationalisation by a Spanish Company
- Gamesa's website was rated a leader in corporate social responsibility by Hallvarsson & Hallvarsson
- Actualidad Económica "Top 100 ideas in 2010" award for the Gamesa G10X-4.5 MW platform
- 4th Mutualia award for Workplace Safety, from Mutualia and Confebask.

Associations

Gamesa participates in the development of public policy through industry associations in the countries where it operates, the goal being to defend the interests of wind power and consolidate its position as a response to the energy and climate crisis and as a key option for attaining the goals of reducing pollutant emissions.

Gamesa was a member of 148 associations in 2010: 112 in Europe, 1 in India, 14 in the United States, 9 in China and 12 in other countries.

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.
GENERAL MEETING OF SHAREHOLDERS 2011
Agenda

ITEMS RELATING TO THE ANNUAL FINANCIAL STATEMENTS, THE MANAGEMENT OF THE COMPANY AND THE APPOINTMENT OF THE COMPANY'S AUDITOR:

One.- Examination and approval, if applicable, of the individual Annual Accounts (balance sheet, profit and loss account, statement of changes in shareholders' equity, statement of cash flows and annual report) of Gamesa Corporación Tecnológica, Sociedad Anónima, and of the consolidated Annual Accounts with its dependent companies (balance sheet, profit and loss account, statement of changes in shareholders' equity, statement of cash flows and annual report), for the fiscal year ended on December 31, 2010.

Two.- Examination and approval, if applicable, of the individual management report of Gamesa Corporación Tecnológica, Sociedad Anónima, and of the consolidated management report with its dependent companies for the fiscal year ended on December 31, 2010.

Three.- Examination and approval, if applicable, of the management and actions of the Board of Directors during the fiscal year ended on December 31, 2010.

Four- Appointment of the auditor of the Company and its consolidated Group for the fiscal years 2011, 2012 and 2013.

ITEMS RELATING TO SHAREHOLDER COMPENSATION:

Five.- Examination and approval, if applicable, of the proposal for the allocation of profit/losses and the distribution of dividends of Gamesa Corporación Tecnológica, Sociedad Anónima for the fiscal year ended on December 31, 2010.

Six.- Approval, for the free-of-charge allocation of the ordinary shares issued to the shareholders of the Company, of an increase in share capital by means of a scrip issue at a maximum reference market value of eleven (11) million euros. The shareholders will be offered the acquisition of their free-of-charge allocation rights at a guaranteed price. Express provision for the possibility of an incomplete allocation. Application for admission of the resulting shares to listing on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, through the Automated Quotation System (Sistema de Interconexión Bursátil). Delegation of powers to the Board of Directors, including the power to amend Article 4 of the By-Laws.

ITEM RELATING TO THE COMPOSITION OF THE BOARD OF DIRECTORS:

Seven.- Ratification of the appointment as Director of Mr. José María Aracama Yoldi made by cooption after the holding of the last Shareholders' General Meeting, as an External Independent Director.

ITEM RELATING TO THE REMUNERATION SYSTEMS:

Eight.- Examination and approval, if applicable, of a Long Term Incentive Program through the delivery of shares of the company bound to the achievement of the key targets of the Business Plan 2011-2013 aimed to the Chairman of the Company, Senior Management, Managers and employees of Gamesa Corporación Tecnológica, Sociedad Anónima, and if applicable, of its dependent companies, and the delegation to the Board of Directors, with the express faculty of substitution, to implement, develop, formalize and execute the aforementioned remuneration system.

ITEMS RELATING TO AMENDMENTS OF BY-LAWS AND REGULATIONS:

Nine.- Amendment of the By-Laws and approval, if applicable, of a new restated text of the By-Laws.

9.1. Amendment of article 2 of the By-Laws to specify that the activities that constitute the corporate purpose are developed in the sector of renewable energies.

9.2. Amendment of articles 5, 6 and 7 of the By-Laws about the shareholder status and presentation and transfer of shares, with the aim to improve its order and systematics and complete its content.
9.3. New articles 8, 9, 10 and 11 of the By-Laws that provide the set of rules of the By-Laws for share capital increase or decrease.
9.4. New articles 12, 13 and 14 of the By-Laws that provide the set of rules of the By-Laws for the issue of debentures.
9.5. Amendment of articles 8, 9 and 10 (new articles 15, 16 and 17) of the By-Laws to improve the regulation of the general aspects of the Shareholders' General Meeting, as well as to enumerate its faculties.
9.6. Amendment of articles 11 and 12 (new articles 18, 19, 20, 21, 23, 24 and 25) of the By-Laws to improve the systematics and complete the content of the regulation of the call and constitution of the Shareholders' General Meeting and about the appointment of the General Meeting Bureau and to adapt it to the amendments of the Capital Companies Law.
9.7. Amendment of articles 13, 14, 15 and 16 (new articles 22, 26, 27, 28, 29 and 30) of the By-Laws to improve the writing and systematics of the set of rules of representation, voting and agreements adoption by the Shareholders' General Meeting.
9.8. Amendment of the articles 17, 18 and 19 (new articles 31, 32, 33, 34, 35, 36, 37, 38, 39 and 40) of the By-Laws with the aim to achieve a better fulfilment of the recommendations of the Corporate Governance Unified Code regarding the Board of Directors, adapt the set of rules of the By-Laws to the changes introduced in the Board of Directors Regulations and include some novelties in its content.
9.9. Amendment of article 22 (new article 43) of the By-Laws to adapt the set of rules of the By-Laws regarding the Audit and Compliance Committee to the amendments introduced by the Audit Law.
9.10. Amendment of article 23 (new article 44) of the By-Laws with the aim to complete the regulation of the Appointments and Remuneration Committee and provide an enumeration of faculties.
9.11. New article 45 of the By-Laws that expressly provides the duties of the Directors.
9.12. Amendment of article 25 (new article 46) with the aim to improve the order and systematics of the article and qualify that the limit of 3% in the remuneration of the Board of Directors is to be applied about the benefit of the fiscal year of the consolidated group.
9.13. Amendment of article 29 (new article 47) and new article 48 of the By-Laws to introduce the novelties of the Capital Companies Law and of the Audit Law regarding the Annual Corporate Governance Report, website of the Company and the Electronic Shareholders' Forum.
9.14. Amendment of articles 26, 27 and 28 (new articles 49, 50, 51 and 52) of the By-Laws with the aim to complete and improve the regulation about Annual Accounts and allocation of the result.
9.15. New article 54 of the By-Laws that establish that the conflicts between the shareholders and the company about the corporate affaires are submitted to the jurisdiction of the registered office of the Company.
9.16. Approval of a restated text of the By-Laws that includes the approved amendments and correlatively renumbers the titles, chapters and articles in which it is divided.

Ten.- Amendment of the Shareholders' General Meeting Regulations and approval, if applicable, of a new restated text of the Shareholders' General Meeting Regulations.

ITEM RELATING TO GENERAL MATTERS:

Eleven.- Delegation of powers to formalize and execute all resolutions adopted by the Shareholders' General Meeting, for conversion thereof into a public instrument, and for the interpretation, correction and supplementation thereof or further elaboration thereon until the required registrations are made.

ITEM SUBMITED FOR CONSULTATIVE VOTING:

Twelve.- Approval, with a consultative character, of the annual report regarding the remuneration policy of the members of the Board of Directors of Gamesa Corporación Tecnológica, Sociedad Anónima of the current fiscal year (2011) and the application of the remuneration policy in force in the previous fiscal year (2010).

Publisher
Gamesa

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